

**Army Regulation 700–90**

**Logistics**

# **Army Industrial Base Process**

**Headquarters  
Department of the Army  
Washington, DC  
14 December 2004**

**UNCLASSIFIED**

# ***SUMMARY of CHANGE***

AR 700-90

Army Industrial Base Process

Specifically, this major revision dated 14 December 2004--

- o Adds depot maintenance industrial base policy to chapters 1 and 2 and elevates AR 750-1 to a required reference. Also clarifies that chapter 5 pertains to production industrial base policy so as not to confuse these policies with depot maintenance policy in AR 750-1 (paras 1-1b, 1-7e and n, 2-1m, 2-5g, 2-8n, 2-11a and m, 3-1, 5-2, 6-13, and app A).
- o Adds industrial base vision and overarching strategy (paras 1-5 and 1-6).
- o Clarifies that industrial base actions for Five Year Defense Plan and surge are higher priority than planning for mobilization and contingencies (paras 1-7b and c).
- o Adds policy for surge planning, validating surge requirements, and establishing contracts with surge options (paras 1-7b, 2-4a, 2-6b, 2-8b, 2-11b, 3-2a(1)(c), and C-16).
- o Adds policy that implements statutes that authorize public-private partnering at Government-owned, Government-operated industrial installations (paras 1-7h and i and 3-8 and app E).
- o Adds policy to consolidate organic capacity at multiple and joint mission installations to reduce infrastructure costs, increase flexibility, and reduce reliance on laid away facilities. Avoid traditional installation names that imply single mission sites (para 1-7i).
- o Clarifies the difference between capability and capacity (paras 1-7j and C-11 and glossary).
- o Adds policy to divest of Government furnished equipment with an acquisition cost of less than \$5,000 (paras 1-7k(3) and 5-4).
- o Clarifies Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)) responsibility for centralized review and control of capital investment requirements (paras 2-1e and 2-6c).
- o Revises policy on Manufacturing Technology Program (paras 2-1n and 6-6).
- o Adds policy for infrastructure risk management (paras 2-1o and 3-11b).

- Replaces the Requirements Definition System with the Joint Capabilities Integration and Development System (para 2-4 and glossary).
- Adds responsibilities for Deputy Chief of Staff, G-8 due to their key role in surge requirements and consolidating requests to acquire industrial resources (para 2-6).
- Clarifies the interface between the Installation Management Agency and Army Materiel Command for special installations (paras 2-7a and c, 2-8d(1) and e(1), and glossary).
- Adds policy requiring collaboration with other military Services and the Defense Logistics Agency (paras 2-11a and c).
- Clarifies that Program Executive Officers have a responsibility to establish industrial base support agreements with the Army Materiel Command (para 2-11n).
- Expands policy for market research (para 3-4a and app C-8).
- Clarifies excess to ownership policy (para 5-6d).

Effective 2 January 2005

## Logistics

### Army Industrial Base Process

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By Order of the Secretary of the Army:

PETER J. SCHOOMAKER

*General, United States Army*

*Chief of Staff*

Official:



SANDRA R. RILEY

*Administrative Assistant to the  
Secretary of the Army*

**History.** This publication is a major revision.

**Summary.** This regulation implements higher authority goals, objectives, and policy regarding national policy on the national technology and industrial base. This regulation focuses on the industrial base and policies associated with assessing its ability to effectively support operation, surge, and sustainability. This regulation implements sections 2208, 2440, 2464, 2466, 2469, 2474, 2500, 2501, 2503–2506, 2535, 2563, 4532, 4541–4543, and 4551–4555 of Title 10, United States Code, and Department of Defense directives 4200.15, 4275.5, 4400.1, and 5000.60. This includes Army policy for the following activities: market research, industrial capability assessments; Defense Priorities and Allocations System; Defense Production Act, Title I and Title III; strategic and critical materials;

managing Army industrial equipment, plant equipment packages, and Army Reserve plants; production base support; and selected production engineering-related programs. Procedures have been deleted from this regulation to enable more innovation and flexibility in executing the policies contained in the regulation.

**Applicability.** This regulation applies to the Active Army, the Army National Guard, and the U.S. Army Reserve.

**Proponent and exception authority.**

The proponent of this regulation is the Assistant Secretary of the Army (Acquisition, Logistics, and Technology). The proponent has the authority to approve exceptions or waivers to this regulation that are consistent with controlling law and regulations. The proponent may delegate the approval authority, in writing, to a director within the proponent agency or a direct reporting unit or field operating agency of the proponent agency in the grade of colonel or the civilian equivalent. Activities may request a waiver to this regulation by providing justification that includes a full analysis of the expected benefits and must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25–30 for specific guidance.

**Army management control process.**

This regulation contains management control provisions in accordance with AR 11–2 but does not identify key management controls that must be evaluated.

**Supplementation.** Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), ATTN: SAAL-PA, 2511 Jefferson Davis Highway, Suite 10354, Arlington, VA 22202–3911.

**Suggested improvements.** Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publication and Blank Forms), directly to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), ATTN: SAAL-PA, 2511 Jefferson Davis Highway, Suite 1054, Arlington, VA 22202–3911.

**Distribution.** This publication is available in electronic media only and is intended for command levels, C, D, and E for the Active Army, the Army National Guard of the United States, and the U.S. Army Reserve.

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\*This regulation supersedes AR 700–90, dated 26 April 2004.

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## **Glossary**

## **Chapter 1**

### **Introduction**

#### **1-1. Purpose**

*a.* The primary objective of this publication is to provide a framework for integrating industrial base considerations into Army planning, to provide for the materiel needs of soldiers, and to ensure that the U.S. Army remains responsive, deployable, agile, versatile, lethal, survivable, and sustainable.

*b.* This publication establishes Headquarters, Department of the Army (HQDA) basic policies and responsibilities governing management and operation of the Army industrial base, including production and depot maintenance industrial bases. (See AR 750-1, chapter 8 and appendix F for detailed policy and procedures for depot maintenance.)

(1) Activities will be conducted in compliance with all applicable statutes and regulations. This process includes identifying, developing, and sustaining an industrial base, both commercial and Government-owned.

(2) The industrial base must be capable of sustaining approved military operations in support of the national security strategy and achieving Army transformation and readiness goals.

#### **1-2. References**

Required and related publications and prescribed and referenced forms are listed in appendix A.

#### **1-3. Explanation of abbreviations and terms**

Abbreviations and special terms used in this regulation are explained in the glossary.

#### **1-4. Responsibilities**

Responsibilities are listed in chapter 2.

#### **1-5. Industrial base vision**

The industrial base vision is a complementary and synergistic industrial base (private and Government owned) that has the capability and capacity to satisfy the soldier's materiel requirements in peacetime and during national emergencies. Materiel must be available, reliable, sustainable, and affordable.

#### **1-6. Overarching industrial base strategy**

*a.* Use life cycle acquisition strategies for materiel that effectively uses market research of worldwide capabilities and capacities to achieve a responsive, innovative, and efficient industrial base.

*b.* Rely on the inherent advantages of competition and commercial production capability and capacity for the Army's materiel needs to the maximum extent practical. Establish in-house core depot-level maintenance and repair capacity. Focus organic industrial capability on mitigating the risk associated with reliance on private sector capacity. An essential nucleus of organic capacity will be established and sustained when readiness considerations dictate.

*c.* Provide a comprehensive and continuous program for the future safety and for the defense of the United States by providing adequate measures whereby the private sector and an essential nucleus of Government-owned industrial plants can supply the needs of the armed forces in time of national emergency.

#### **1-7. General industrial base policy**

*a.* The Army's industrial base process assesses the critical sectors of the National Technology and Industrial Base (NTIB) (see para 3-4). The assessment will discuss global capacity and capability, cost, and technology risk in the market research.

*b.* The primary focus is the ability of the production and maintenance industrial base to support future years defense program (FYDP) and surge. This focus includes surge planning and contracting (see paras 3-2a(1)(c) and C-16).

*c.* The secondary focus is the ability of the industrial base to support requirements above FYDP and surge (for example, mobilization and contingencies).

*d.* The commercial NTIB will be relied upon to the maximum extent practicable to meet the national security objectives in paragraphs b and c, above. There will be reduced reliance on Defense unique technologies and barriers to use of commercial processes, products, and standards (see Section 2501, Title 10, United States Code (10 USC 2501)).

*e.* Statutes for core logistics and depot-level maintenance and repair are notable exceptions to the rule of reliance on the private sector to the maximum extent possible. Organic base facilities (Government-owned, Government-operated (GOGO)) will be sized and capabilities will be determined through core methodology for military weapon systems and equipment (see AR 750-1, app F) in accordance with 10 USC 2464. Logistic capabilities determined to be core will be present in the organic base no later than 4 years after achieving initial operational capability. Not more than 50 percent of funds made available to DOD for depot-level maintenance and repair may be used to contract with the private sector pursuant to 10 USC 2466 unless a waiver is requested from the Secretary of Defense.

*f.* When market research reveals a problem with supplying soldiers' needs, an industrial capability assessment (ICA) will be accomplished using the criteria provided in appendix B. This assessment will address both public and private

sources. Policy for furnishing Government-owned facilities to contractors is provided in appendix D, below. The authority for retaining reserve capacity is 10 USC 2535.

g. Factories or arsenals owned by the United States will be used when economically feasible to manufacture items needed by the Army in accordance with 10 USC 4532 (see para 3–7).

h. Several statutes authorize Army industrial installations to enter into legally binding agreements to sell goods and services or enter partnering agreements with commercial entities. All of these authorities must be evaluated to ensure the agreements yield a benefit to the Army, not just the installation (see para 3–8 and app E).

i. Organic industrial installations will be consolidated to minimize infrastructure costs. This may require locating multiple and joint service missions on the same installation. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) (ASA(ALT)) will approve realignment of industrial missions unless the action must comply with the base realignment and closure (BRAC) legislation (10 USC 2687). The BRAC process may study any organic production or maintenance installation and recommend realigning workload. If those recommendations are adopted, they will have the force and effect of law. Efficient organic industrial base capabilities and capacity that provide superior customer service to the joint team will be maintained by adopting lean six sigma practices, modernizing facilities, and proactively teaming with commercial industry via public-private partnerships (see para 3–8). If consolidated missions justify it, the installation commander will request a name for the installation that best describes the current missions. The process for renaming an installation will use the same channels as used for memorializations (see AR 1–33, para 6a(2)).

j. In-house Government technical expertise will be nurtured such that the Army is not overly dependant on any particular supplier. Government partnership with a single source supplier is an effective method to establish in-house capability. This in-house capability is essential to enable the Army to conduct a future competition when that competition is in the best interest of the Army (see para C–11).

k. Army ownership of industrial property will be assessed for divestiture. Plans will be developed to—

(1) Dispose of the excess property in accordance with DODD 4275.5, AR 405–90, and AR 405–45.

(2) Justify why retained property is needed for peacetime and emergency requirements and will include how the property will be kept efficient and relevant.

(3) Dispose of Government-furnished equipment with an acquisition cost less than \$5,000 at GOGO and contractor owned-contractor operated (COCO) facilities unless each item can explicitly demonstrate characteristics listed in appendix D.

l. Integrate industrial base planning into all phases of the acquisition system's life cycle. Relevant information will be gathered and maintained in order to describe the current industrial base, identify critical sectors and producers, document major shortfalls, identify trends, recommend corrective actions, and identify areas of concern for further study based on future Army requirements, if needed. Risk analysis, using industrial capability criteria in the excerpt from DODD 5000.60 (see app B) will help make sound affordability decisions.

m. Products and services will be acquired competitively from the private sector unless authorized or required by statute (see paras 3–7, 3–8, and 3–10).

n. Depot-level maintenance and repair workload assigned to a GOGO will continue at that GOGO unless changed in accordance with 10 USC 2469. Depot-level maintenance and repair workload that is in excess of \$3,000,000 (including the cost of labor and materials) and is being performed by a depot-level activity of the Department of Defense may not be changed to performance by another depot-level activity of the Department of Defense or performance by a contractor unless the change is made using either procedures stated in paragraph (1) or (2) below.

(1) Merit-based selection procedures for competitions among all depot-level activities of the Department of Defense.

(2) Competitive procedures for competitions among private and public sector entities. Office of Management and Budget Circular A–76 (or any successor administrative regulation or policy) does not apply to the change of depot-level maintenance and repair workload.

o. The Army will define and effectively manage the environmental impact during acquisition, use, and disposal of Government-owned industrial facilities.

## **Chapter 2**

### **Responsibilities**

#### **2–1. Assistant Secretary of the Army (Acquisition, Logistics and Technology)**

The Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA (ALT)) will—

a. Establish policy and goals for the Army Industrial Base Program.

b. Establish an industrial base metric scheme in conjunction with program executive officers and program/product/project managers (PEOs/PMs), the U.S. Army Materiel Command (AMC), and the U.S. Army Space and Missile Defense Command (SMDC). The metric scheme will measure the ability of the industrial base to support acquisition and sustainment functions as they affect the readiness of Army materiel. The ASA(ALT) will evaluate the Army's



performance against the metrics. The procedure for metrics is on the Army's industrial base Web site (<http://amsaa.ria.army.mil/ib/ibhub/index.html>).

- c. Serve as the Army's focal point for the annual DOD report to Congress mandated in 10 USC 2504.
- d. Evaluate industrial deficiencies and/or problems in conjunction with the Deputy Chief of Staff, G-3/5/7 (DCS, G-3/5/7) and the Deputy Chief of Staff, G-4 (DCS, G-4) and assign the lead for selected assessment of industrial capacity to PEOs, the AMC, or the SMDC depending on the scope of problems and assessments. The PEO will use program funds. The AMC and SMDC will use the industrial preparedness operations account (see para 6-2, below) to fund assigned assessments.
- e. Ensure a centralized and uniform review and control of industrial facility projects regardless of fund source (for example, research and development, procurement, and operations and maintenance, Army (OMA) (see DODD 4275.5, para 5.2). The Deputy Assistant Secretary of the Army (Procurement and Policy) (DASA(P&P)) must approve resource requests that involve exceptions to industrial base policy.
- f. Assess annually which GOCO factories and idle equipment for COCO require recertification for continued retention (see DODD 4275.5, paras 4.1 and 2).
- g. Provide interface with the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff, and other Services on joint industrial base matters.
- h. Ensure Army elements evaluate the industrial base ability to support transitioning to the future force structure.
- i. Review and approve industrial base procedures that are to be added to the Army's industrial base Web site (<http://amsaa.ria.army.mil/ib/ibhub/index.html>). The AMC is the proponent for the industrial base Web site.
- j. Decide whether Army materiel or its components should be made in an arsenal or bought from the private sector in those cases where the PEO and AMC disagree (see paras 2-8d(4) and 2-11e). These make or buy analyses are accomplished under the authority of 10 USC 4532.
- k. Serve as the Army's point of contact to OSD on the impact of proposed defense industry mergers and acquisitions and coordinate with Headquarters, AMC and applicable PEOs.
- l. Serve consistent with the applicable delegation of authority or charter, as the single manager for conventional ammunition (SMCA) (see DODD 5160.65). This includes the authority, in accordance with Section 806, Public Law 105-261, Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, and 10 USC 2304 to limit specific procurements of conventional ammunition to sources within the NTIB when such limitation is necessary to maintain a facility, producer, manufacturer, or other supplier available for furnishing an essential item of ammunition, or ammunition component, in case of national emergency or to achieve industrial mobilization.
- m. Ensure that initial Core Depot Assessments are performed (see AR 750-1, app F).
- n. Manage Army's Manufacturing Technology (Man Tech) Program.
- o. The ASA(ALT), in conjunction with PEO/PMs and AMC, nominates key assets in the industrial base for the Defense Contract Management Agency to analyze for protection under the National Critical Infrastructure Protection Program (see AR 525-26, para 5-2).

## **2-2. Assistant Secretary of the Army (Financial Management and Comptroller)**

The Assistant Secretary of the Army, Financial Management and Comptroller (ASA(FM&C)) exercises comptroller functions and manages financial activities and operations. The ASA(FM&C) will—

- a. Prepare the Army's industrial base budget estimates.
- b. Oversee cost and economic analysis function and Planning, Programming, and Budgeting Execution System (PPBES) activities in support of systems acquisitions.
- c. Advise PEOs/PMs and major Army commands (MACOMs) on deadlines for program and budget requests.
- d. Issue policy guidance on the Army management structure (see DFAS 37-100-FY ) and the sale and out-lease (see 10 USC 2667) of Army assets.

## **2-3. Assistant Secretary of the Army (Installations and Environment)**

The Assistant Secretary of the Army, Installations and Environment (ASA(I&E)) will—

- a. Provide Army policy on real property, installation management, and environmental management.
- b. Act on requests to excess industrial installations that are identified as no longer needed for a materiel mission. This includes screening Army and other DOD Services for reutilization, transferring the real estate to other defense entities with a need, or obtaining Secretary of the Army approval to declare the installation excess to the Army's need. When applicable, these actions must comply with the Base Realignment and Closure Act (BRAC) (10 USC 2687).

## **2-4. Deputy Chief of Staff, G-3/5/7**

The DCS, G-3/5/7 will use the Joint Capabilities Integration and Development System (JCIDS) (see CJCSI 3170.01D and CJCSM 3170.01A) to—

- a. Provide guidance on materiel requirements; and validate, approve, and prioritize requirements for ICAs. This

includes guidance and prioritization regarding identified shortfalls, surge, replenishment, reconstitution, and identified contingencies.

- b.* Plan for analysis of industrial base responsiveness during exercise play.
- c.* Develop and publish priorities for hardware programs, war reserve stocks, and industrial preparedness measures that support war reserve and replenishment objectives.
- d.* Develop war reserve requirements for Class V (munitions) and Class VII (major end items).
- e.* Develop and maintain U.S. Army critical items list (CIL).
- f.* Review ICAs as they pertain to augmentation of war reserve stocks.

## **2-5. Deputy Chief of Staff, G-4**

The DCS, G-4 will—

- a.* Evaluate logistics program for opportunities to improve readiness and sustainability with industrial preparedness measures.
- b.* Review ICAs as they pertain to sustainability and augmentation of war reserves under their purview.
- c.* Assist the DCS, G-3/5/7 staff in developing guidance on materiel requirements for logistics planning.
- d.* Manage the industrial mobilization capacity (IMC) and industrial preparedness operations (IPO) accounts. Use DCS, G-3/5/7 priorities to prepare program and budget guidance for these assigned accounts. This includes Program Objective Memorandum (POM) and budget requests that affect industrial base budget lines.
- e.* Develop and publish requirements for those classes of supply under the DCS, G-4 purview, indicate priorities, and prepare guidance, such as end of POM, near-term combatant commanders shortfalls, surge, replenishment, reconstitution, and contingencies.
- f.* Serve as the Army's point of contact for the Defense Strategic and Critical Materials and National Stockpile Program.
- g.* Support the ASA(ALT):
  - (1) In establishing policy and goals for the depot maintenance industrial base.
  - (2) In developing metrics for the depot maintenance industrial base. Report performance of depot maintenance against the metrics.
  - (3) For depot maintenance industrial base matters with the OSD, the Joint Chiefs of Staff, and other Services.
- h.* Develop the Depot Maintenance Requirements Plan (OP 29) in coordination with AMC and the ASA(ALT) and submit for funding to the Sustainment Program Execution Group (Sustain PEG).

## **2-6. Deputy Chief of Staff, G-8**

The DCS, G-8 will—

- a.* Provide programming guidance to PEOs/PMs and item managers for ICAs based on priorities validated by DCS, G-3/5/7 and G-4. The PEOs/PMs and item managers will base their budget and POM submissions to DCS, G-8 on this guidance and the industrial base ability to successfully execute (see para 2-2c, above).
- b.* Develop unfunded requirements for programs. Ensure PEOs/PMs and item managers certify that industrial base capacity can surge to execute unfunded program quantities before the Army Chief of Staff and PEG managers approve the unfunded requirements.
- c.* Consolidate all industrial facility projects regardless of fund source and provide to ASA(ALT) for review (see para 2-1e).

## **2-7. Assistant Chief of Staff for Installation Management**

The Assistant Chief of Staff for Installation Management (ACSIM) will—

- a.* Manage the Installation Management Agency (IMA). The IMA supports AMC commanders of special installations with technical oversight of traditional base operations functions (for example, environmental, real estate, physical security, property accountability, facility maintenance, utilities, fire prevention, and fire protection). The AMC exercises command, control, and manpower or contract management responsibilities at special installations. Those special installations that are GOCOs shall challenge contractors to implement best commercial practices for base operations and IMA provides advise to the contracting office on acceptability of contractors' base operations policies and procedures.
- b.* Manage disposal of excess real property. This includes developing disposal plans. If the disposal business case analysis reveals that disposal of associated personal property with the real property and land is the preferred disposal method, then ACSIM will also be responsible for disposal of this associated personal property.
- c.* Ensure real property accountability and reporting is implemented at special installations (see AR 405-45).

## **2-8. The Commanding General, U.S. Army Materiel Command**

The Commanding General (CG), AMC will—

- a. Provide matrix support to PEOs and PMs. Relationships and responsibilities between AMC and PEOs or PMs will be established by support agreements. Agreements will address all aspects of industrial base planning and support.
- b. Conduct ICAs and risk assessments for assigned commodities. Perform surge planning to enable accelerated production and maintenance of assigned items (see para C-16).
- c. Conduct "selected assessments" of industrial base capacity based on tasking from ASA(ALT) using IPO funds. Coordinate with other Services, Defense Logistics Agency (DLA), Department of Commerce, other agencies and industry to gather information required for evaluating the ability of the industrial base to respond to military materiel needs as well as requirements for homeland defense.
- d. Manage Army GOGO production installations consistent with PEO/PM industrial base support agreements. This includes—
  - (1) Developing and implementing a strategy, in collaboration with affected PEOs, to assure facilities are modernized, as necessary to enhance operational effectiveness and efficiencies. Capital investment policy is in chapter 5, and if direct funding is justified, chapter 6 has guidance for programming Production Base Support Program (PBSP) or production funds. Execute PBSP projects. Coordinate with the U.S. Army Corps of Engineers (USACE) on construction projects in accordance with AR 415-15, as appropriate. The AMC installation commander will supervise a base operations staff that will be held accountable to common real property standards (see AR 210-20, para 1-8), installation design standards, and Army baseline standards). The IMA region will support the AMC commander by overseeing the technical aspect of this base operations staff.
  - (2) Planning, programming, and budgeting activities for IPO and IMC funding (see paras 6-2 and 6-3). Coordinate appropriate program elements of IPO and IMC with PEOs and PMs that benefit from the industrial base planning and production capacity.
  - (3) Matching materiel requirements from all customers and foreign military sales (FMS) to installation capacity.
  - (4) Analyzing whether to make or buy under the authority of 10 USC 4532: Prepare analysis for AMC managed items and coordinate with applicable PEO/PM with life cycle responsibility. For PEO/PM managed items, "make" estimate for Army materiel and/or its component that is potentially more economically manufactured at an arsenal. Provide to the applicable PEO/PM early in the acquisition life cycle to avoid disruption of program milestones.
- e. Exercise command and control over Army GOCO production installations. This includes—
  - (1) Performing contracting functions for materiel development, production missions, and installation functions; executing PBSP projects, in accordance with industrial base support agreements with individual PEOs; and ensuring contracts are compatible with program acquisition strategies, capital investment policy in chapter 5, and paragraphs 2-11d and f. Rely on base operations expertise from IMA region to evaluate acceptability of contractors' commercial practices for installation (that is, base operations) functions.
  - (2) Implementing Armament Retooling and Manufacturing Support (ARMS) program at GOCO ammunition plants in accordance with paragraph 5-7 below and PEO/PM support agreements (see 10 USC 4551, 10 USC 4552, 10 USC 4553, 10 USC 4554, and 10 USC 4555).
- f. Develop and implement a phase down of ownership plan for Army-owned production installations in coordination with applicable PEOs/PMs. The phase down of ownership plan will be consistent with acquisition plans for affected programs (see para 2-11f). Prepare justifications for continued ownership when ASA(ALT) requests recertification (see DODD 4275.5). Prepare reports of excess (ROE) for real estate and submit ROE to ACSIM for action.
- g. Manage automated information systems to support the Army Industrial Base Program.
- h. Assist ASA(ALT) in assessing the impact of proposed defense mergers and acquisitions.
- i. Exercise HQDA responsibility in coordination with PEOs/PMs for the Defense Production Act of 1950, as amended (see 50 USC Appendix 2071-2078, 2091-2099), and Diminishing Manufacturing Sources and Material Shortage (DMSMS) (see para 3-9).
- j. Serve as the proponent for management and administration of the Government-Industry Data Exchange Program (GIDEP) within the Army.
- k. Aggregate and publish an Army industrial preparedness planning list (IPPL) comprised of items and components identified by PEOs as necessary to either monitor or take action to ensure sufficient capacity for operational, combat, and contingency requirements.
- l. Manage the Army's industrial base Web site (<http://amsaa.ria.army.mil/ib/ibhub/index.html>), which contains industrial base procedures as guides for field activities.
- m. Support ASA(ALT) in developing an industrial base metric scheme and measure performance against metrics applicable to AMC's mission.
- n. Contribute to the development of the Depot Maintenance Requirements Plan (OP-29) and execute the funded program.

## **2-9. Commanding General, U.S. Army Space and Missile Defense Command**

The CG, SMDC will—

- a. Provide matrix support to PEOs and PMs. Relationships and responsibilities between SMDC and PEOs/PMs will be established by support agreements. Agreements will address all aspects of industrial base planning and support.
- b. Conduct ICAs for assigned commodities.
- c. Conduct "selected assessments" of industrial base capacity based on tasking from ASA(ALT) using IPO funds.
- d. Assist ASA(ALT) in assessing the impact of proposed defense mergers and acquisitions.
- e. Support ASA(ALT) in developing an industrial base metric scheme and measure performance against metrics applicable to SMDC's mission.

## **2-10. Commanding General, U.S. Army Corps of Engineers**

The CG, USACE will—

- a. Provide technical advice and assistance on real property matters, including acquisition, maintenance, and disposal.
- b. Manage and execute facilities design and construction programs at GOGO installations. Review design of construction projects at GOCO installations and monitor execution.
- c. Issue leases, licenses, easements, and other appropriate real estate documents.
- d. Execute and supervise real property engineering, construction, and real estate services for the Army.
- e. Obtain approvals related to construction, such as architect/engineer (A/E) selections.

## **2-11. Program executive officers and program/project/product managers**

The PEOs and PMs will—

- a. Assess the ability of the industrial base to support the life cycle requirements for assigned programs. Ensure ICA is conducted when a potential problem exists. This includes collaboration with Defense Logistics Agency or other military departments who have a requirement for an item, component, or system managed by the Army PM. Rely on the private sector to the maximum extent possible unless core depot-level maintenance and repair or Army-owned factories are more economical. Consider the NTIB in the development and implementation of acquisition plans for each major defense acquisition program (see 10 USC 2440) (see app C). Perform core depot assessment for new systems and major upgrades (see AR 70-1, para 8-4e(1)).
- b. Identify end items and components needing monitoring or actions to ensure sufficient capacity is sustained to satisfy life cycle requirements. The aggregate of these end items and components is published by AMC in the Army's IPPL. Perform surge planning to enable accelerated production and maintenance of assigned programs (see para C-16). The PEO must approve quantities in surge options that flow from the PM's risk assessment.
- c. Monitor the health of critical elements of the industrial base supporting their programs and elevate industrial base deficiencies and/or problems to the ASA(ALT) and CG, AMC staffs when problems have a potential impact on other DOD programs. This includes spare parts and components purchased or managed by the Defense Logistics Agency and other PMs.
- d. Plan, program, and budget research, development, test, and evaluation (RDT&E) and procurement appropriations (PA) subject to normal HQDA review and approval. Manage Production Base Support Program for assigned programs. Review AMC's budget requests for IPO and IMC funded activities to confirm that planning is needed and the production requirement being protected is valid. Potential financial accounts involved are listed in chapter 6.
- e. Perform make or buy analysis under the authority of 10 USC 4532. Prepare analysis for PEO/PM managed items in coordination with AMC early in the acquisition life cycle so as not to disrupt program milestones. The AMC will furnish "make" estimates. Review "make or buy" analyses for AMC managed items that are part of the PEO's/PM's life cycle management responsibility. Submit analyses to ASA(ALT) for a decision when PEO/PM and AMC disagree (see paras 2-1j and 2-8d(4)).
- f. Develop and implement a strategy to provide incentive to industry to compete, invest, and modernize the industrial base for assigned programs. The strategy should ensure the Army-owned industrial base production facilities are modernized as necessary to enhance operational effectiveness and efficiencies and to meet emerging requirements. The PEOs/PMs will collaborate with AMC according to support agreements. Capital investment policy is in chapter 5, and if direct funding is justified, chapter 6 has guidance for programming PBSP or production funds. Coordinate with USACE on construction projects in accordance with AR 415-15, as appropriate.
- g. Assist ASA(ALT) in assessing the impact of proposed mergers and acquisitions.
- h. Develop and implement a phase-down of ownership plan, modernization plan, and justification for continued ownership of Army-owned equipment at COCO factories that exist to manufacture materiel assigned to the PEO/PM. Based on acquisition strategy for assigned programs, identify Army GOGO or GOCO phase down of ownership candidates to AMC for action (see DODD 4275.5).
- i. Integrate industrial base considerations into the acquisition process in accordance with appendix C of this regulation.
- j. Support ASA(ALT) in developing industrial base metric scheme. Report performance of assigned programs against the metrics.
- k. Support AMC on GIDEP, Defense Priorities and Allocations System (DPAS), and DMSMS matters. Proactively

assess assigned programs according to DMSMS Program metrics to earn a “green rating” from AMC. Plan and budget RDT&E and PA funds for corrective actions related to assigned programs.

*l.* Develop and maintain a production base plan (PBP) as required by paragraph 3–6. The plan identifies capacity weaknesses for a program, proposed actions to solve problems, and the status of those actions.

*m.* Budget and program MCA and PA funds, as appropriate, to expand GOCO facilities for core depot maintenance capacity in support of new starts (see paras 6–7 and 6–9).

*n.* Establish industrial base support agreement with the applicable AMC or SMDC elements. The agreements will address the full spectrum of industrial base planning and support throughout the program’s life cycle to include performance-based logistics (PBL) policies in AR 700–127. The agreements will also identify funding and manpower requirements associated with industrial base planning and support (see para 6–2).

## **Chapter 3**

### **Industrial Base Assessments and Planning**

#### **3–1. General**

This chapter implements requirements for market research and ICAs in statute and as specified in various DOD directives, regulations, and implementing guidance documents, including the Strategic Planning Guidance, the Joint Programming Guidance, the Federal Acquisition Regulation (FAR), Subpart 10, DODD 5000.60, DOD 5000.60–H, DODD 5000.62, and policy letters. Core logistics planning policies are in AR 750–1, chapter 8.

#### **3–2. Requirements**

The Army’s industrial base process will assess the NTIB in accordance with the following policy and appendix C, section II, of this regulation:

*a.* The NTIB will meet the following national security objectives:

(1) Supplying and equipping the force structure of the armed forces so that the following may be achieved:

*(a)* The objectives set forth in the National Security Strategy Report.

*(b)* The objectives of the Strategic Planning Guidance and the Joint Programming Guidance.

*(c)* The objectives of the FYDP and surge. The FYDP requirements in the funded level of the POM are clear in terms of quantity and timeframes. Surge requirements emanate from two venues. Official unfunded requirements that are validated by the DCS, G–3/5/7 and approved by DCS, G–8 as well as risk assessments prepared by PMs and item managers to support deployed forces. Surge planning policies in paragraph C–16 ensure that contract mechanisms are established to enable effective acceleration of production or maintenance to satisfy surge requirements that get funded.

(2) Sustaining production, maintenance, repair, and logistics for military operations of various duration and intensity.

(3) Maintaining advanced research and development activities to provide the armed forces with systems capable of ensuring technological superiority over potential adversaries.

(4) Reconstituting, within a reasonable period, the capability to develop and produce supplies and equipment, including technologically advanced systems in sufficient quantities to prepare fully for war, national emergency, or mobilization of the armed forces before the commencement of war, national emergency, or mobilization.

(5) Providing for development, manufacture, and supply of items and technologies critical to the production and sustainability of advanced military weapon systems within the NTIB.

*b.* The NTIB will attain civil-military integration through acquisition policy reforms that have the following objectives:

(1) Relying, to the maximum extent practicable except as required by statute (see para 1–7e), upon the commercial NTIB that is required to meet the national security needs of the United States.

(2) Reducing the reliance of the Army on technology and industrial base sectors that are economically dependent on DOD business.

(3) Reducing Federal Government barriers to the use of commercial products, processes, and standards.

#### **3–3. Industrial base integration into the acquisition process**

AR 70–1 requires Integrating industrial base considerations into the acquisition system. Appendix C of this regulation provides policy for industrial base business strategies. Industrial base considerations also include a specific focus by PMs to ensure surge and sustainability planning. Assessment of the NTIB in the acquisition strategy will be summarized to include actions recommended in the PBP. Economic order quantities will be clearly identified for unique defense materiel to assist Deputy Chief of Staff, G–8 (DCS, G–8) in budgeting and programming efficient buys. Defense Production Act, Title III, projects will be considered when special incentives are required to satisfy requirements.

### 3-4. Industrial capabilities assessments

The PM will develop and document a business strategy using policies in appendix C.

a. Market research (see FAR, Subpart 10) is the first step in conducting the ICAs. Traditional market research relies on interested businesses to respond to advertisements in the FedBizOpps ([www.fedbizopps.gov](http://www.fedbizopps.gov)). If this passive approach to market research results in an unsatisfactory industrial base, then a proactive market research technique will be employed to locate capability or capacity that can meet Army's materiel requirement. Market research will also identify barriers discouraging industry from participating in competition for program procurements (see app C, sec II).

b. The assessment process will ensure that ICAs—

- (1) Describe sectors or capabilities and their underlying infrastructure and processes.
- (2) Analyze present and projected financial performance of industries supporting the sectors or capabilities in the assessment.
- (3) Identify technological and industrial capabilities and processes for which there is potential that NTIB will not be able to support the achievement of national security objectives.

(4) Assess the extent of dependency on foreign sources and for which there is no immediately available source in the United States or Canada. The discussion and presentation regarding foreign dependency will identify cases that pose an unacceptable risk of foreign dependency and present actions being taken or proposed to remedy the risk.

c. Categories of ICAs are—

(1) *Selected assessments of industrial base capacity.* Each fiscal year, ASA(ALT) will initiate selected assessments of the capability of the NTIB to attain the national security objectives set forth in paragraph 3-2a (see 10 USC 2505). The Office of the Secretary of Defense consolidates study results in an annual report to Congress in accordance with 10 USC 2504.

(2) *Acquisition planning assessments.* Acquisition Planning ICAs will be performed in support of milestone decision reviews (see app C, sect III).

(3) *Industrial capability preservation assessments.* Conduct focused analyses in accordance with appendix B to identify industrial capability preservation actions (see DODD 5000.60). This includes actions such as acquisitions restricted to establish or protect industrial sources, objections to proposed mergers, and retention of Government-owned facilities.

### 3-5. Industrial preparedness planning list

The IPPL identifies critical end items and components needing monitoring to assure sufficient capacity is sustained to satisfy life cycle requirements. The aggregate of these end items and components is defined as the IPPL.

### 3-6. Production Base Plan

a. The PBP will ensure that the production industrial base will be identified to meet projected FYDP requirements and that the base can be rapidly expanded in a balanced fashion to meet national emergencies.

b. The PBP will take into account items in development, to adjust legacy item capacity for the CIL items that will be displaced, and to make maximum use of prototype processes to retain defense-unique manufacturing expertise while minimizing the investment in fixed facilities that must be maintained through work loading or layaway. Specifically, the plan will address the conclusions from monitoring IPPL end items and components, the proposed action when a problem exists, and the status of that action. An action to correct an industrial base deficiency is defined as an industrial preparedness measure (IPM). The PBP is to be updated every 2 years. Examples of IPMs are—

(1) Change specifications, skills, tools, or substitute materials or parts. Changes in specifications should not alter the quality or performance of the commodity being produced and/or procured or result in inferior products.

(2) Remove barriers discouraging innovative companies from competing in the military market.

(3) Design virtual factories to expeditiously replicate capacity for defense materiel on commercial facilities. By capturing the manufacturing processes, communicating these operational needs to remote sites, including commercial sites, rapid spin-off of technology necessary for replenishment can be attained.

(4) Increase use of commercial items or components.

(5) Retain or invest in unique long lead-time industrial facilities. In unique and/or critical manufacturing technology areas, establish and retain prototype-manufacturing capability.

(6) Stockpile raw materials (see para 4-4).

(7) Stockpile long lead-time components. Characteristics such as obsolescence, aging configuration, and cost must be evaluated for this IPM.

(8) Prepackage solicitations or contract options to minimize administrative lead-time between receipt of funds and production deliveries.

### 3-7. Army Arsenal Act implementation

a. The Army Arsenal Act (10 USC 4532) provides (in part) that, "the Secretary of the Army will have supplies needed for the Department of the Army (DA) made in factories or arsenals owned by the United States, so far as those factories or arsenals can make those supplies on an economical basis." Section 4532 does not define the term

"supplies." The definition of "supplies" for Title 10 is found in 10 USC 101(a)(14). It states that, "the term 'supplies' includes material, equipment, and stores of all kinds." However, due to the extremely wide variety of "supplies" that the Army uses in the full spectrum of its operations, it is clear that the arsenals cannot provide absolutely all of the "material, equipment, and stores of all kinds" that the Army requires. The scope of the "supplies" that arsenals can manufacture is limited to those they are capable (sufficiently equipped and staffed) of manufacturing and the supplies to be produced must be consistent with the general capabilities of the arsenal and/or factory. The ASA(ALT), acting on behalf of the Secretary of the Army, retains authority to determine which supplies the arsenals can and should make and, therefore, which items will be subject to the "make or buy" analysis of the Army Arsenal Act on a case-by-case basis. The Army Arsenal Act is not applicable to the depot level maintenance and repair mission.

b. In those cases where approval is received to conduct the "make or buy" analysis, the evaluation of the Government estimate should include the direct costs and only those indirect costs that would change as a result of changes in the number of items or components manufactured. These costs must include any amounts that represent actual expenditures directly or indirectly attributed to production for such product or services in the Government arsenal and/or factory. An independent Government cost estimate (IGCE) will be used to develop the "buy" cost. If it is unclear whether "make" or "buy" is more economical, real competition will be used to decide.

c. The Secretary of the Army may abolish an arsenal that he or she considers unnecessary (10 USC 4532). This decision must also comply with limitations imposed by BRAC law (10 USC 2687) or policy. (See para 5-2 for justification for Army owned production facilities.)

### **3-8. Public-private partnering at GOGO industrial installations**

a. Some statutes authorize public-private partnering (PPP). (See app E for a complete list of statutes dealing with sales and utilization at industrial installations.) The relationship between a GOGO industrial installation and a private entity is considered a partnership when one or more of the following conditions exist:

- (1) The Government sells products or services to the private entity.
- (2) The private sector uses Government property outside the limits set by a lease (10 USC 2667) or a contract (FAR, Parts 45 and 52 and DFARS, Parts 245 and 252).
- (3) The Government and private sector enter into work-sharing arrangements using both public and private sector facilities and/or employees.

b. Partnering is encouraged when authorized by an authority in appendix E and opportunities exist to—

- (1) Share investments, reduce overall risk, and take advantage of best business practices that will benefit both the public and private sectors.
- (2) Reduce life cycle costs of weapon systems or the Defense Working Capital Fund, Army (DWCF,A) stabilized labor rate. Thus, partnering agreements must provide measurable benefits in meeting the industrial base strategy.
- (3) Directly enhance (as an outcome of the partnership activity) the mission capability of the DWCF,A industrial facility.

c. The GOGO commander shall not enter into a PPP agreement unless a business case analysis concludes the PPP agreement is advantageous to the Government.

d. The DWCF,A industrial facility is required to charge the fully burdened cost of performance. Funds must be available to pay the expenses as bills become due to the DWCF,A industrial facility. Fees, commissions, or other payments from the PPP, other than rents from a lease, shall be deposited into industrial fund accounts.

e. Partnering agreements must provide measurable benefits. Proposals must be carefully reviewed to ensure that the partnership is indeed a good business arrangement for the Army. Examples could be improvements in the efficiency and capability of the partnering Army activity. At the end of the partnering arrangement, the Army must be left in an equity position that is not of less value than it held before entering the arrangement. Further, agreements must include complete flexibility for the Army to recover the use of facilities and personnel if needed for important mission requirements without penalty to the Army for missing planned cost and delivery targets.

f. Partnering agreements that adversely affect or displace Government employees shall provide those employees the first right of refusal for contractor employment openings for which they are qualified. An exception would be when employment by the contractor would violate post-Government employment conflict of interest standards. Conversion of a commercial activity or function from government civilian employee performance to contractor performance may trigger the competition requirements of OMB Circular No. A-76.

### **3-9. Army diminishing manufacturing sources and material shortages**

The goal of the Army DMSMS program is to provide a comprehensive and coordinated program that supports efficient and effective resolutions of obsolescence and/or non-availability and/or single source issues. The industrial base program will implement DMSMS procedures relative to non-availability and obsolescence of specialty chemicals, materials, parts, and end items. These procedures will be integrated with the industrial base planning and analysis effort and will be in accordance with policy in DOD 4140.1-R, paragraphs C1.4.2 and C3.6.

a. The PM will participate in post-production support planning activities conducted as part of the logistics support

program. Obsolescence and/or non-availability and/or single source issue will be documented in the logistics support plan and the DMSMS database.

*b.* The PM will ensure, to the maximum extent practical through parts screening for potential technology obsolescence, that identified DMSMS items are not included in DOD systems during design, redesign, or production. That includes screening parts for current obsolescence and for items that may be obsolete within the near future (1–5 years) and assessing the vulnerability of the parts to become obsolete. If an identified DMSMS item cannot be dropped during those stages, the procuring activity will ensure that there is continuous part availability and post-production support.

*c.* A cost-effective solution, consistent with mission requirements, will be established when an item is identified as DMSMS. Until a cost-effective solution to the DMSMS situation is implemented, conserve existing and on-order stocks (such as, challenging suspected excessive requisitions, limiting automatic issue to established users with known requirements, and requiring explicit justification for issuance to new users).

*d.* The PEO/PMs will proactively assess assigned programs according to DMSMS Program metrics.

*e.* The HQ, AMC will ensure that DMSMS information is effectively communicated and exchanged within the DOD, with other Government organizations, and with industry through the maximum use of alerts and the GIDEP. At a minimum, the information should be relative to the discontinuance of manufacturers' products and identity of the item (its technical specifications, the name of the manufacturer, when the product will be discontinued, and if known, where the product is used).

*f.* The Army shall use the DMSMS metric scheme developed by DUSD(L&MR). Army programs will be color coded green if the program has been proactively assessed and solutions to problems are identified. Metrics report on:

- (1) Cases-number received, solved, and funded.
- (2) Solution types adopted as contained in DOD 4140.1–R, paragraph C3.6.2.4.
- (3) Cost avoidance generated during period.
- (4) Unfunded liability, to include impact of delays.

### **3–10. Restricting acquisition to establish or protect the industrial base**

*a.* Acquisition competition may be restricted for current requirements, as appropriate to preserve critical elements of the industrial base. Appropriate industrial base authorities that may be available for contracting without providing for full and open competition are the Competition in Contracting Act (CICA), 10 USC 2304(c)(3) and (5), as implemented by FAR 6.302–3 and 6.302–5.

*b.* The additional cost of restricting procurements will be balanced with the potential loss of sources, which could add risk to production for surge, mobilization, and contingencies. This cost and/or benefit analysis will use opportunity prices from worldwide sources and be documented in the justification and approval.

*c.* If restriction is based on 10 USC 2304(c)(3), the restricted quantity will be the minimum volume necessary to protect the mobilization industrial base. The exception is when the residual quantity is not an economic order quantity. When a residual quantity is competed, the competitive procurement will be timed such that competitive prices help the contracting officer develop the position on "fair and reasonable" price on the quantity restricted to protect the mobilization industrial base.

*d.* Acquisition strategies must assess alternative approaches when a single private sector source exists. Title 10, Section 2304(b)(1)(B), United States Code and FAR 6.202 allow an existing source or sources to be excluded from competition for national emergency or industrial mobilization. Alternately, when only one supply source exists in the NTIB, the acquisition strategy will assess competing a portion of the buy full and open.

*e.* All conventional ammunition procurements will be reviewed by the SMCA, who determines whether the risk to national security justifies limitation of competition to sources within the NTIB. This includes evaluating justification in accordance with 10 USC 2304c(3) to maintain a facility, producer, manufacturer, or other supplier available for furnishing an essential item of ammunition or ammunition component in case of national emergency or to achieve industrial mobilization.

*f.* There are statutory restrictions on the acquisition of products and services from other than United States sources (see DFARS Subpart 225.70).

### **3–11. Security**

*a.* All industrial base-planning documents that contain proprietary industry data will be protected. Security classification of planning information is required if a form, or collection of forms as a whole, discloses the following:

- (1) Classified data.
- (2) The identity of an item when the existence of that item is classified.
- (3) A classified relationship between the item and the national defense posture.
- (4) Information that would provide hostile countries with data damaging to national security interests.

*b.* The ASA(ALT), in conjunction with PEO/PMs and AMC, nominate key assets in the industrial base for the Defense Contract Management Agency to analyze for protection under the National Critical Infrastructure Protection (see AR 525–26).



### **3-12. Merger assessment**

The Army will assess the potential implications for DA programs resulting from a merger or acquisition involving a defense supplier. Normally in response to queries from the Department of Justice or the Federal Trade Commission, DOD will solicit services' perspectives. This assessment will consider the potential loss of competition for DA contracts and subcontracts, estimated cost savings or cost increases for DA programs that can be expected, and any other factor resulting from the proposed merger or acquisition that may adversely affect the satisfactory completion of a current or future program (see DODD 5000.62). Information provided to OSD will be furnished to the Army Office of General Counsel, ATTN: SAGC-ACQ.

### **3-13. Foreign military sales**

Proposed FMS, co-production programs, and transfers of certain technical data to foreign nations must include an ICA prior to approval. The purpose is to ensure such proposals do not undermine the industrial base goal of maintaining technological superiority over potential adversaries.

## **Chapter 4 Defense Production Act Programs**

### **4-1. General**

This chapter implements 50 USC App, 2061-2171, as amended; 50 USC 98-98h-7, DODD 4400.1, and DOD 4400.1-M DOD Priorities and Allocations Manual. It also describes several defense programs that directly and indirectly support weapon system acquisition and production during both normal and emergency conditions.

### **4-2. Defense Production Act, Title I - Priorities and Allocations System**

Title I of the DPA of 1950, as amended (see 50 USC App, 2071-2078), authorizes the President to require the priority performance of contracts and orders necessary or appropriate to promote the national defense over other contracts or orders; to allocate materials, services, and facilities as necessary or appropriate to promote the national defense; and to require the allocation of, or the priority performance under contracts or orders relating to, supplies of materials, equipment, and services in order to assure domestic energy supplies for national defense needs. Certain authorities are extended to DOD from the Department of Commerce and the Federal Emergency Management Agency.

#### *a. Levels of authority.*

(1) The Deputy Under Secretary of Defense, Industrial Policy (DUSD(IP)), exercises certain DPAS authorities per Department of Commerce Delegation 1, Part 700, Title 15, Code of Federal Regulation (see 15 CFR 700).

(2) The CG, AMC is responsible for exercising DPAS authority within DA (DODD 4400.1). Headquarters, AMC issues DPAS re-delegation of authority to appropriate Army agencies and the major subordinate commanders.

(3) Assistant DPAS officers ensure Army contractors and government procurement personnel are aware of, and in compliance with, DODD 4400.1. They provide special priorities assistance, using Department of Commerce Form BIS-999, Request for Special Priorities Assistance, where applicable and assist in providing guidance throughout the contracting cycle as required. Form BIS-999 is available at <http://www.bis.doc.gov/defenseindustrialbaseprograms/osies/dpas/>.

*b. Priority rating of contracts.* Rated contracts are identified by a priority rating consisting of the rating (either DX or DO) and a program identification symbol. The DOD DX listing is a list of items from each Service that would be accorded the highest DPAS priority during a conflict over resources, such as might happen during a national emergency. All defense orders are entitled to DO ratings. DOD 4400.1-M provides detailed guidance concerning rating procedures. Properly rated contracts and orders take preference over all non-rated orders as necessary to meet required delivery dates.

#### *c. Defense contractors will—*

- (1) Accept rated defense orders.
- (2) Furnish acknowledgement.
- (3) Provide preferential scheduling.
- (4) Meet contract delivery schedules.
- (5) Extend priority ratings to subcontractors and suppliers.
- (6) Comply with DPAS regulatory requirements as specified in 15 CFR Part 700.

*d. Penalty for violation.* Willful violation of the DPAS regulation is a crime and subject to fine, imprisonment, or both.

### **4-3. Defense Production Act, Title III - Expansion of Productive Capacity and Supply**

*a. The DPA, Title III (see 50 USC App, 2091-2099a , and FAR Part 34.1) provides incentives to private industry to establish or expand private domestic production capacity for high technology materials for national defense purposes.*

Department of Defense policy normally restricts these incentives to purchase commitments; occasionally Congress authorizes special direct appropriations. Any potential obligation must be supported by a full reservation of funds.

*b.* The DPA, Title III, projects may be appropriate when the commercial and organic domestic industry cannot reasonably be expected to provide the required national production capacity in a timely manner.

#### **4-4. National Defense Stockpile of Strategic and Critical Materials Authority**

*a.* The National Defense Stockpile (NDS) of Strategic and Critical Materials Authority (50 USC 98-98H-7) is maintained to decrease dependence upon foreign sources of supply in times of national emergency. The DLA manages this program.

*b.* Army forecasts of essential quantities for stockpile will be subject to review of commercial and foreign availability.

## **Chapter 5**

### **Management of Government-Owned Production Industrial Base**

#### **5-1. General**

*a.* The intent of the Army-owned industrial base is to be postured to support the force structure with efficient, economical, practical, responsive, multifunctional, environmentally responsible, and compliant facilities.

*b.* The policies in this chapter apply to purchase, construction, or use of Government-owned property, or re-certification of the need for Government property to successfully deliver the product.

*c.* To the maximum extent possible and except as otherwise provided by law, all costs associated with the industrial base will be reflected in product or service prices.

*d.* Direct funding for reserve industrial capacity will be an exception and justified based upon benefit to national security.

#### **5-2. Justification for Army-owned industrial facilities**

The Army will rely on the private sector for support of defense production to the maximum extent practical. When market research and ICA confirms that the private sector is either inadequate or unavailable to reliably provide critical materiel needs, an essential nucleus of Government-owned facilities may be established or retained. This documentation will remain on file to justify why Government facilities are essential to national security. Government facilities may be considered essential when no commercial producer can be induced to supply needed items, to ensure continued availability of important capabilities and capacities in time of national emergency, or Government facilities are more efficient or economical than private industry. The justification will be consistent with the Post Production Support Plan (see AR 700-127, para 3-16). Cost benefit analysis will be documented in a Determination and Findings before executing a "facility project" (see DFARS 245.302 and 10 USC 2535).

#### **5-3. Sizing industrial capacity**

Army-owned industrial facilities should be sized to operate in a cost-effective manner in support of future years' defense programs. Accelerated production for contingencies and emergencies will plan on using multiple shifts in lieu of retaining or acquiring additional Government property. Also, consideration will be given to outsourcing production of parts and components. The Army's goal is 75 percent utilization of one shift consistent with economics and program objectives. Chemical processes that must operate 24 hours a day will develop a comparable metric (see 10 USC 2535 and DODD 5000.60).

#### **5-4. Government-furnished property**

The regulations for management of Government-furnished property (GFP) are FAR Part 45, DFARS Subpart 245, Army Financial Acquisition Regulation Supplement (FARS 5145), DODI 5000.64, and AR 735-5. The Government encourages contractors to use best commercial practice to manage GFP. However, the Army is required to maintain central records on GFP for fiduciary reporting purposes. The contracting activity shall submit a Determination and Finding to the ASA(ALT) for approval before establishing or extending a facility use contract. Government furnished equipment with an acquisition cost less than \$5,000 will not be authorized for use unless each item can explicitly demonstrate characteristics listed in appendix D.

#### **5-5. Capital investments**

*a.* All capital investments at Army working capital fund GOGOs will be in accordance with DOD Financial Management Regulation 7000.14-R, Volume 11b, Chapter 58, and DFAS-IN Manual 37-100-FY. Policy guidance associated with capital investments for Army pilot programs will be issued by ASA(ALT) under individual policy memorandums.

*b.* At GOCOs and COCOs, higher authority policies on furnishing Government property are in appendix D of this regulation (see FAR Part 45 and DFARS Subpart 245). Army policies are as follows:

(1) Capital investments will be identified as an inherent part of competitive solicitations. Contractors will be challenged to determine how to meet the objectives in the solicitation. Solicitations will rely on performance specifications and non-Government standards. Government financed capital investment at a GOCO or COCO will be based on terms in the competitively selected contractor's proposal for supply items or site management. This guidance does not apply to capital investments under the auspices of the ARMS Program.

(2) Capital investments will be funded in accordance with the terms of the contract, which are based on the competitively selected contract proposal. Acquisition teams will determine the need for programming and budgeting PBS projects based on their professional judgment, which anticipates the most likely "best value" solution since actual capital investments will be based on the successful contractor's best value proposal, which earned his or her contract award.

(3) The Army will minimize investing in manufacturing processes (such as plating) that use hazardous materials (HAZMATs) or generate environmental pollutants. Extensive market analysis will be conducted for specialty shops that perform these operations. If capability does not exist, centralized Government facilities will be modified to manufacture multiple products in lieu of vertical manufacturing. Investments in these types of operations must document why Government investment is the best solution. Contracts at GOCO facilities will ensure that operating contractors assume sole responsibility for management and disposal of contractor-generated solid and hazardous waste. This includes plans that address how those facilities will minimize spills of oil, HAZMATs, and other pollutants (see AR 200-1).

(4) Contractors selected competitively to operate an industrial installation or deliver supplies may propose construction or capital investment to Government real property. The contractor will manage these projects, but the Corps of Engineers will review the contractor's design. AR 415-15 requires mandatory approval of construction projects and contractors must consider these constraints in their execution plan. Congress must approve construction exceeding the unspecified minor military construction threshold established in 10 USC 2805 (see DODD 4275.5). Title to real property improvements made by the contractor is vested in the Government (see FAR 52.245).

(5) Capital investments at COCOs will be limited to personal property and exclude installation costs. This will avoid ambiguities of Army owning real estate (such as, foundations) at COCOs.

(6) Noncompetitive requests for capital investments will be supported by an economic analysis or include a valid justification for exemption. The useful life of the investment must consider contract terms and equitable adjustments to recoup Government investment (see AR 11-18). If the investment is amortized beyond the period of contract performance or the POM, approval by Deputy Assistant Secretary of the Army (Policy and Procurement) is required.

(7) Plant equipment will not be defined as special tooling or special test equipment to avoid the determination and finding provisions in DODD 4275.5, paragraph 5.3, and DFARS Subpart 245.

(8) Capital investment projects directly funded by the Army will not include profit or fee because their purpose is to enable the contractor to provide the product or service being procured.

*c.* When existing property is being replaced, value associated with the property being replaced can be used as credit toward the price of the new item. All exchanges and/or sales will comply with 40 USC 481(c), 41 CFR Part 101-46, DOD 4140.1-R, DFARS 217.70, and AR 725-1.

## **5-6. Phase-down of Government-owned property**

*a.* The Army will have a well-defined plan for phase-down of Government-owned industrial plants for manufacturing industrial reserve machine tools and other industrial manufacturing equipment in accordance with DODD 4275.5.

*b.* Configuration of the Army-owned industrial base will be analyzed comprehensively as part of the quadrennial defense review (QDR). As a minimum, the analysis will consist of market analyses, cost to consolidate capability into fewer installations, and feasibility of more private ownership. The Army property manager, disposal agent, and PMs will team to complete a business case analysis. The analysis will include the private sector's interest in buying the property.

*c.* It is important that the Army maintain documentation on Army-owned industrial property and its environmental condition. Holding agencies must prepare due diligence documentation (see 41 CFR Part 102-75, Subpart C) required to sell industrial property or transfer title. Documentation for environmental site assessments will be in accordance with standards E1527-00 and E1903-97 from American Society for Testing and Materials (ASTM) International. This is essential to enable immediate disposal (not to exceed 3 years) after decision is made to abolish an arsenal or Government-owned factory (see 10 USC 4532).

*d.* When analysis concludes that an Army owned facility is needed to support the force levels outlined in retention criteria established by the Secretary of Defense, follow-on analysis will be accomplished to determine the risks of not owning the capacity. The General Services Administration has ruled that authority in the Federal Property and Administrative Services Act (40 USC 545(b)(2) and (7)) can be used when the military department determines that ownership is not required, but the production capacity is required. This sale is entitled "excess to ownership." This sale will include a deed restriction to the new owner that stipulates the new owner will maintain the production capacity for

a stated time period. This policy is congruent with 10 USC 2501 to rely on the private sector to the maximum extent practicable.

*e.* Disposal plans that identify resource requirements will be prepared within 6 months after an industrial installation is approved as excess. Disposal agent will market excess property to tap its asset value. Disposals will be prioritized to execute those parcels that yield the best payback. Normal disposal practice is to sell "as-is, where-is." References for disposal are DOD 4160.21-M, DOD 6055.9-STD, and AR 405-90. If property is contaminated with HAZMATs the following policies apply:

(1) The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 USC 9601-9675) generally prevents a transferor of real property from contracting away the CERCLA-imposed obligation to remediate contaminated real property. However, disposal plans will use Early Transfer Authority if appropriate for contaminated real estate pursuant to the 42 USC 9620(h). A contract with the buyer for environmental remediation can be credited toward compensation for the property.

(2) Sale of the property is restricted to qualified and bonded buyers.

(3) Exceptions to the "as-is, where-is" policy are permitted when decontamination increases the proceeds from sale more than it costs to decontaminate the property.

## **5-7. Commercial use of Government-owned industrial installations**

Commercial use of underutilized and unutilized industrial facilities is encouraged as a means to reduce product and ownership costs, protect state and local economies, maintain critical skills and technological base, maintain and/or modernize infrastructure, encourage contractor investment, and reduce environmental cost. This use is authorized by 10 USC 2667. Commercial use of GOCO ammunition installations is also authorized by 10 USC 4551, 10 USC 4552, 10 USC 4553, 10 USC 4554, and 10 USC 4555. The installation commander will only authorize commercial use at an installation if the following conditions exist:

*a.* Use by commercial entities is more economical than excessing or reconfiguring military missions.

*b.* Commercial use does not adversely affect accomplishment of the military mission.

*c.* Market analysis of commercial demand concludes there is realistic potential for profit, and the best use of underutilized property is identified.

*d.* When a commercial site manager is required to develop the commercial business base, the site manager will be selected competitively.

*e.* The site manager relies on venture capital or a loan guarantee program to attract commercial tenants.

*f.* An environmental baseline survey is accomplished before occupancy to ensure the chemicals identified on the future commercial tenant's material safety data sheets are documented. GOCO facility contractors and lessees will assume sole responsibility for managing and disposing of hazardous waste, as well as prohibiting storage, disposal, or treatment of non-DOD-owned hazardous waste, in accordance with the requirements of AR 200-1, paragraph 1-30. Tenants will be required to certify that a pollution prevention plan will be developed, tracked, and funded. Also an environmental management plan will be developed to identify the aspects of their operation that impact the environment. Tenants will ensure that any land-use controls imposed on the subject real estate are maintained. This may include restrictions against digging in certain areas, use of groundwater for drinking purposes, or requirements to maintain a fence around a cleanup site, and so forth. Tenants will be required to comply with all federal, state, and local environmental laws and regulations.

*g.* Care and protection of Government property will be a part of plans delivered to the Government as part of the contractor's competitive proposal.

*h.* Use of Government property for commercial business must comply with commercial pricing practices when they exist so as not to cause a competitive advantage for the firms located on the Government installation. If no commercial rental or user guide is available, the contracting officer will establish rates based on FAR 52.245-9 deviation formulas that are equal to or greater than those rates in the use and charges clause.

## **Chapter 6 Funding the Army Industrial Base Program**

### **6-1. General**

This chapter identifies financial accounts that directly fund Army industrial base activities. Paragraphs 6-2 through 6-12 below describe what industrial base activities can be budgeted and executed with each financial account. The DFAS Manual 37-100 establishes official accounting codes and their descriptions. To obtain any direct funding, planning, programming, budgeting, and execution process, procedures must be followed (see DODD 7045.14 and AR 1-1).

## **6-2. Operations and maintenance, Army-industrial preparedness operations**

The OMA-IPO pays for those operations that span more than one acquisition program. The primary goal is to assess the ability of the industrial base to manufacture affordable Army materiel requirements for operations, major theater wars, replenishment, and contingencies. If the requirement cannot be met, corrective measures are to be developed. The IPO program is funded through OMA program element 424041.AO (ammunition) and 213045 (non-ammunition). The DCS, G-4 will issue a data call for IPO requirements to ensure timely submission into the budget. Justification of IPO requirements will be organized by program elements (PE). The program elements include—

- a. Market research and ICAs accomplished by AMC and SMDC.
- b. Management and operation of Army's notification process and dissemination of DMSMS alert notifications to the program and/or item managers. It excludes planning, budgeting, and implementing corrective actions that are the responsibility of the PM or item manager.
- c. Industrial Base Information Management Systems and databases.
- d. Military and/or commercial integration studies such as dual-use, commercial, off the shelf, manufacturing technology (ManTech), virtual factory agreements, and electronic descriptions of manufacture that are not appropriately funded in an RDT&E or PA.
- e. Government personnel who administer and manage industrial facility capital investment, layaway, and care and protection of laid away facilities projects.
- f. Administration and management of the DPAS, GIDEP, value engineering, North American Technology and Industrial Base Organization, DPA Title III Program, and Logistics Operation Center exercises.
- g. Government personnel who manage the IPO account.

## **6-3. Army industrial mobilization capacity**

The PM or item manager will first assess private industry potential. If this assessment shows there is an unacceptable risk of relying on the private sector for industrial mobilization, a formal determination for approval by the ASA(ALT) will be submitted. If the ASA(ALT) approves this determination, the actual costs will be programmed and budgeted separately to retain this Government capability. These costs will be paid from the DWCFAs if this capability is idle more than 80 percent in any one month, but used at least once during the year. Actual costs get charged to IMC account, subactivity group 213, industrial preparedness, and DWCFAs(IMC) for retaining equipment required for mobilization but temporarily idle, as defined for certain Army arsenals by 10 USC 4541 and DOD 7000.14-R, volume 11B, chapter 14.

## **6-4. Disposal of excess Government-owned industrial facilities (OMA-Installation Program Execution Group, Management Decision Package EXCS, Program Element 131079N00)**

The OMA-Installation Program Execution Group account pays for disposal of excess Government-owned industrial facilities when the proceeds from sale do not cover the cost of disposal, and abandonment is not possible or when disposal was not funded by a construction project as required by the Army one-for-one disposal policy. This includes, but is not limited to—

- a. Demolition of real property facilities and debris removal when required to meet Army safety and health requirements. Demolition of a building containing HAZMATs must be done in a manner that protects human health and the environment and may be subject to state and local regulatory oversight.
- b. Demilitarization of critical military processes determined by the Defense Reutilization and Marketing Office to be a direct link to "key points" functionality (see DOD 4160.21-M-1, chap I, para C1).
- c. Recurring care and protection costs associated with excess Government property. These costs begin within 5 quarters after the PEO/PM informs ACSIM that the property is excess to need. Efficiently executing a Report of Excess and obtaining approval from the General Services Administration (GSA) can minimize the OMA cost.

## **6-5. Dual-use science and technology research, development, test, and evaluation**

As defined by public law, dual-use technology has both military and civilian applications. Most dual-use technology is generated through spin-off (commercialization of military technology for civilian applications, such as infrared sensors) or spin-on (military adaptation and/or application of commercial technology, such as state-of-the-art computer hardware and/or software). The Army will aggressively partner in dual-use RDT&E with the primary motivation of leveraging commercial technology for military applications.

## **6-6. Manufacturing technology (Man Tech)**

- a. It is DOD policy to rely on private sector investment and the "free enterprise" system to provide the manufacturing technology necessary to produce DOD materiel. There are cases, however, when qualified segments of industry cannot or will not commit private funds to establish manufacturing technology and make it available on a timely basis in support of DOD requirements (see DODD 4200.15).
- b. The goal of ManTech is to provide essential manufacturing technologies that will enable affordability, sustainability, improved quality, shorter production lead times, enhanced productiveness, improved safety, and reduced

risk in transitioning to production. The Army's Man Tech strategy is to conduct selected manufacturing demonstrations and to address a few selected crosscutting manufacturing issues that promise maximum overall impact for both future and current items critical to the Army's mission. It is essential that AMC partner with those PMs on ManTech efforts that directly support their acquisition programs. The PMs typically co-fund Man Tech efforts with RDT&E resources in their assigned program. At the heart of this strategy is the creation of a manufacturing technology objective (MTO) designed to address specific manufacturing issues and objectives. The MTOs are executed by science and technology (S&T) program managers and collaboration with designated PEO/PM customers. Each MTO is planned for a 3 to 5 year duration. The Army Science and Technology Working Group (ASTWG) reviews the ManTech program and approves the MTOs as required. The Army ManTech Program invests in areas having the greatest need for manufacturing improvements with the highest potential benefit to the warfighter. The Army will actively participate in the DOD Joint Defense Manufacturing Technology Panel to coordinate ManTech efforts and maximize leverage of ManTech funding across the Services.

c. ManTech supports process prototyping and pilot demonstration to develop or modify manufacturing technologies for the Army's use. ManTech does not acquire off-the-shelf capital equipment, unless the purchase is consistent with FAR, Part 45 policy (see app D), a minor portion of the investment and required to establish the first-case application integral to the ManTech project. DOD policy prohibits using ManTech funds for implementation of manufacturing technology beyond the first-case application. Before ASA(ALT) commits ManTech funds to an effort, the PEO must demonstrate that their Acquisition Strategy includes a realistic plan to implement the technology in the industrial base. The ASA(ALT) will ensure a centralized and uniform review and control of industrial facility projects regardless of fund source.

#### **6-7. Procurement appropriation hardware**

Tooling, special tooling, special test equipment, facility maintenance and short-term deactivation are parts of the hardware budget line. The hardware budget line is also appropriate for capital investments when one hardware budget line benefits from the investment being procured via contract and the private sector cannot be motivated to invest in capacity. This funding source also pays for a new start at a defense working capital fund, Army (DWCF,A) site.

#### **6-8. Production base support program**

After complying with policies in chapter 5, there is valid justification for investing, retaining, and maintaining Government property. The PBSP consists of the following budget lines:

a. *Provision of industrial facilities (PIF)*. When the facility requirement will satisfy more than one end item and is operated by a contractor, the PIF budget line of the applicable PA will be used for—

- (1) Initial production facilities.
- (2) Expansion of capacity.
- (3) Rehabilitation of existing facilities.
- (4) Replacement of existing facilities.
- (5) Modernization of existing facilities or capacity.
- (6) Construction of real property. These facility projects involve capacity, safety, security, energy conservation, or environmental considerations.

b. *Layaway of industrial facilities (LIF)*. This account pays for transitioning facilities from production to long-term storage (that is, idle periods of more than one continuous year). Retention of reserve production capacity must be defended by an ICA. (see DODD 5000.60 ) Functions paid by layaway of industrial facilities projects are preservation, decontamination, rehabilitation, relocation, establishment of appropriate storage environment, environmental site assessments to support privatization evaluations, and non-CERCLA environmental closure at GOCOs when more than one item benefited from the site.

c. *Maintenance of laid-away industrial facilities (MLIF)*. This account pays those costs associated with reserve capacity for future production. The capacity must have been approved for retention under a preceding LIF project.

d. *ARMS Program*. If approved, the status of the commercialization effort in context with the original economic analysis will be submitted annually with PBS P-forms. Generally, start-up costs for commercialization will be via commercial investment or loan guarantee program in lieu of appropriated funds. Appropriated funds should only be used for market analysis to initiate the commercialization process, incentives for the facility use contractor to achieve negotiated goals, and to modify Government property to accommodate commercial entities. Through commercialization and product diversification, ARMS fulfills key program objectives to reduce costs, maintain industrial readiness, retain a skilled work force, and sustain socioeconomic community development (see 10 USC 4551 through 4555).

#### **6-9. Military construction, Army**

a. Construction at a GOGO will be programmed, budgeted, and financed in the Military Construction, Army (MCA) Program in accordance with the provisions of AR 415-15.

b. The Energy Conservation Improvement Program (ECIP) is a DOD program established to improve energy efficiency of existing DOD facilities while reducing associated utility energy and non-energy-related costs. The

program is accomplished through energy-saving projects. IMA, Army installations, and major commands (MACOMs) should use ECIP, along with other resource programs for energy, to assist in implementing Army energy reduction goals (see AR 11–27).

#### **6–10. Sale and out-lease account**

a. Proceeds from the sale of surplus non-base realignment and closure (non-BRAC) real property (40 USC 572(b)) and from the out-lease of non-excess real and personal property (see 10 USC 2667) can be returned to the Army and used for specific purposes. The sale and out-lease programs provide an excellent incentive to implement a businesslike approach to asset management, while providing the opportunity to generate additional funds. The ASA(FM&C) will generally distribute the balance to the holding agency where proceeds were generated. In some cases, ASA(FM&C) may apply the funds for Army-wide use.

b. Requirements for out-lease of non-excess real and personal property is in 10 USC 2667 and 2667a. Requirements for easements for rights-of-way are in 10 USC 2668 and 2669. The proponent for a prospective real property transaction within the United States, its territories and possessions, will comply with the requirements of DA Pam 200–1, paragraph 15–6.

c. Commanders are required to charge fair market value or equivalent for any out-leases and to survey their assets periodically to identify any real or personal property available for out-lease. AR 405–80 governs leasing of Army real property. The use of available property must not interfere with the installation mission and must be authorized by an appropriate realty instrument (such as, lease, easement, permit, license, and so forth). Army-controlled real property that is available for use for non-Army purposes will be out-granted in the following order of preference:

- (1) Other military departments or DOD activities or agencies.
- (2) Other Federal agencies or activities.
- (3) State and local government agencies.
- (4) Private organizations or individuals.

d. All disposals of excess real property are accomplished by the GSA, by the Army through delegated authority from the GSA, or by special legislation. AR 405–90 governs disposal of Army excess real property.

e. Section 572, Title 40, United States Code authorizes return of proceeds from the sale of non-BRAC surplus real property disposed of by GSA. After GSA recoups expenses, remaining funds will be distributed with 50 percent going to the installation where the property is located and the remaining 50 percent to the DA. The ACSIM will identify disposal projects and which source of funds will finance each project. The sale and out-lease account can be used for maintenance, repair, or environmental restoration. The objective is to increase available resources so that disposal minimizes impact on mission accounts. Army environmental restoration account can fund remediation of sites that fit the definition of CERCLA-contaminated sites. The second choice for all other disposal projects would be the OMA Installation PEG (see para 6–4).

f. Before leasing or selling real property to state or local governments or private parties, 42 USC 11411 requires a determination by Housing and Urban Development regarding the suitability of the property for the homeless. The Secretary of Housing and Urban Development (HUD) is responsible for requesting information concerning excess real property relevant to this determination on a quarterly basis. Army proponents of a relevant lease or sale should be prepared to provide HUD with the necessary information.

g. Rules for notifying appropriate Congressional Defense Committees may be found at 10 USC 2667(d) and 10 USC 2662(a).

h. Policies and procedures for the accounting and reporting of proceeds and expenses for the program are prescribed in DFAS-IN Regulation 37–1.

#### **6–11. Operations and maintenance, Army, environmental restoration, Army account**

This congressionally fenced account addresses Army liabilities associated with releases of hazardous substances into the environment from past activities pursuant to the CERCLA and the National Oil and Hazardous Substances Pollution Contingency Plan, 40 CFR Part 300. Also eligible is the identification of closed ranges on Active Army installations, and the military munitions response actions at locations other than operational ranges. Army cleanup program procedures and responsibilities and descriptions of eligible projects are further described in AR 200–1. Funding priority is provided to sites that are considered to either constitute a high relative risk to human health or the environment or present imminent safety hazards. This is consistent with AR 200–1, paragraph 11–16.

#### **6–12. Defense Production Act Title III**

This account provides for establishment or expansion of domestic capacity through purchase of materials, purchase commitments, or other cost-sharing actions that encourage industry to make the investment for needed industrial resources. The AMC manages this program for the Army (see FAR Part 34.100 and DODD 4400.1).

**6-13. Depot maintenance**

Customers using multiple sources of funds fund depot maintenance. The specific policy is contained in paragraph 8-9, AR 750-1.



## **Appendix A References**

### **Section I Required Publications**

#### **AR 750-1**

Army Materiel Maintenance Policy (chap 8 and app F). (Cited in paras 1-1b, 1-7e, 1-7m, 3-1, and 6-13 and glossary.)

### **Section II Related Publications**

A related publication is a source of additional information. The user does not have to read it to understand this publication. Army regulations and pamphlets are available on the Army Publishing Directorate's Web site at <http://www.apd.army.mil>. Department of Defense directives, instructions, and manuals are available at <http://www.dtic.mil/whs/directives>. Volumes of the United States Code can be accessed from <http://uscode.house.gov/search/criteria.php> or <http://www.access.gpo.gov/uscode>. Volumes of the Code of Federal Regulations can be viewed at <http://www.access.gpo.gov/index.html>.

#### **AFARS 5145**

Army Financial Acquisition Regulation Supplement (<http://deskbook.dau.mil/servlet/ActionController?screen=Policies&Organization=5>)

#### **AR 1-1**

Planning, Programming, Budgeting and Execution System

#### **AR 1-33**

Memorial Programs

#### **AR 11-18**

The Cost and Economic Analysis Program

#### **AR 11-27**

Army Energy Program

#### **AR 70-1**

Army Acquisition Policy

#### **AR 200-1**

Environmental Protection and Enhancement

#### **AR 210-20**

Master Planning for Army Installations

#### **AR 405-45**

Real Property Inventory Management

#### **AR 405-80**

Management of Title and Granting Use of Real Property

#### **AR 405-90**

Disposal of Real Estate

#### **AR 415-15**

Army Military Construction Program Development and Execution

#### **AR 525-26**

Infrastructure Risk Management (Army)

**AR 600–20**

Army Command Policy

**AR 700–127**

Integrated Logistics Support

**AR 700–131**

Loan, Lease, and Donation of Army Materiel

**AR 725–1**

Special Authorization and Procedures for Issues, Sales, and Loans

**AR 735–5**

Policies and Procedures for Property Accountability

**15 CFR 700**

Defense Priorities and Allocations System

**40 CFR 300**

National Oil and Hazardous Substances Pollution Contingency Plan

**41 CFR 101–46**

Replacement of Personal Property Pursuant to the Exchange/Sale/Authority

**41 CFR 102–75, Subpart C**

Utilization and Disposal of Real Property ([http://www.gsa.gov/gsa/cm\\_attachments/GSA\\_DOCUMENT/FMR\\_R2-iD3U\\_0Z5RDZ-i34K-pR.pdf](http://www.gsa.gov/gsa/cm_attachments/GSA_DOCUMENT/FMR_R2-iD3U_0Z5RDZ-i34K-pR.pdf))

**CJCSI 3170.01D**

Joint Capabilities Integration and Development System (JCIDS) ([www.dtic.mil/cjcs-directives/index.htm](http://www.dtic.mil/cjcs-directives/index.htm))

**CJCSM 3170.01A**

Operation of the Joint Capabilities Integration and Development System (JCIDS) ([www.dtic.mil/cjcs-directives/index.htm](http://www.dtic.mil/cjcs-directives/index.htm))

**DA Pam 200–1**

Handbook for Environmental Impact Analysis

**DA Pam 700–29**

Instructions for Preparing the Depot Maintenance Support Plan

**DFARS Subparts 217.2, 217.70, 225, 245, 245.302**

Defense Federal Acquisition Regulations Supplement (<http://www.acq.osd.mil/dpap>)

**DFAS-IN 37–1**

Finance and Accounting Policy Implementation (<https://dfas4dod.dfas.mil/>)

**DFAS 37–100–04 FY**

The Army Management Structure, FY 2004 (<https://dfas4dod.dfas.mil/>)

**DOD 4140.1–R**

DOD Supply Chain Materiel Management Regulation

**DOD 4160.21–M**

Defense Materiel Disposition Manual

**DOD 4160.21–M–1**

Defense Demilitarization Manual

**DOD 4400.1–M**

Department of Defense Priorities and Allocations Manual

**DOD 5000.60–H**

Assessing Defense Industrial Capabilities

**DOD 6055.9–STD**

DOD Ammunition and Explosives Safety Standards

**DOD 7000.14–R**

Department of Defense Financial Management Regulations (FMRS)

**DODD 4200.15**

Manufacturing Technology (Man Tech) Program

**DODD 4275.5**

Acquisition and Management of Industrial Resources

**DODD 4400.1**

Defense Production Act Programs

**DODD 5000.1**

The Defense Acquisition System

**DODD 5000.60**

Defense Industrial Capabilities Assessments

**DODD 5000.62**

Impact of Mergers or Acquisitions of Major DOD Suppliers on DOD Programs

**DODD 5160.65**

Single Manager for Conventional Ammunition (SMCA)

**DODD 7045.14**

Planning, Programming and Budgeting System (PPBS)

**DODI 5000.64**

Defense Property Accountability

**DODI 5160.68**

Single Manager for Conventional Ammunition (SMCA): Responsibilities of the SMCA and the Military Services

**Executive Order 12919**

National Defense Industrial Resources Preparedness (<http://www.archives.gov/>)

**FAR, Parts 1.7, 6, 7, 10, 15, 25, 32.7, 34.1, 52.245**

Federal Acquisition Regulation (<http://www.arnet.gov/far/>)

**National Security Strategy Report**

(<http://www.whitehouse.gov/nsc/nss.html>)

**Office of Management and Budget Circular A–76**

Performance of Commercial Activities (<http://www.whitehouse.gov/omb/circulars>)

**PL 94–282**

National Science and Technology, Policy, Organization, and Priorities Act of 1976 (<http://thomas.loc.gov/bss/>)

**PL 96–510**

Hazardous Waste Containment Act of 1980 (<http://thomas.loc.gov/bss/>)

**PL 105–261, Section 806**

Strom Thurmond National Defense Authorization Act for Fiscal Year, 1999, Section 806: Procurement of Conventional Ammunition (<http://thomas.loc.gov/bss/>)

**5 USC Appendix**

Federal Advisory Committee Act

**10 USC 101**

Definitions

**10 USC 1701–1702**

General Authorities and Responsibilities

**10 USC 2208**

Working-capital funds

**10 USC 2304**

Contracts: competition requirements

**10 USC 2440**

Technology and Industrial Base Plans

**10 USC 2464**

Core logistics capabilities

**10 USC 2466**

Limitations on the performance of depot-level maintenance of materiel

**10 USC 2469**

Contracts to perform workloads previously performed by depot-level activities of the Department of Defense: requirement of competition

**10 USC 2473**

Procurements from the small arms production industrial base

**10 USC 2474**

Center of Industrial and Technical Excellence: designation; public-private partnerships

**10 USC 2500**

Definitions

**10 USC 2501**

National security objectives concerning national technology and industrial base

**10 USC 2503**

National defense program for analysis of the technology and industrial base

**10 USC 2504**

Annual report to Congress

**10 USC 2505**

National technology and industrial base: periodic defense capability assessments

**10 USC 2506**

Department of Defense technology and industrial base policy guidance

**10 USC 2534**

Miscellaneous limitations on the procurement of goods other than United States goods

**10 USC 2535**

Defense Industrial Reserve

**10 USC 2538**

Industrial mobilization: orders; priorities; possession of manufacturing plants; violations

**10 USC 2563**

Articles and services of industrial facilities: sale to persons outside the Department of Defense

**10 USC 2662**

Real property transactions: reports to congressional committees

**10 USC 2667**

Leases: non-excess property of military departments

**10 USC 2667a**

Leases: non-excess property of Defense agencies

**10 USC 2668**

Easements for rights-of-way

**10 USC 2669**

Easements for rights-of-way: gas, water, sewer pipe lines

**10 USC 2687**

Base closures and realignments

**10 USC 2805**

Unspecified minor construction

**10 USC 2854**

Restoration or replacement of damaged or destroyed facilities

**10 USC 4532**

Factories and arsenals: manufacture at; abolition of

**10 USC 4541**

Army arsenals: treatment of unutilized or underutilized plant capacity costs

**10 USC 4542**

Technical data packages for large-caliber cannon: prohibition on transfers to foreign countries; exception

**10 USC 4543**

Army industrial facilities: sales of manufactured articles or services outside Department of Defense

**10 USC 4551**

Definitions

**10 USC 4552**

Policy

**10 USC 4553**

Armament Retooling and Manufacturing Support Initiative

**10 USC 4554**

Property management contracts and leases

**10 USC 4555**

ARMS Initiative loan guarantee program

**40 USC 481(c)**

Exchange or sale of similar items

**40 USC 545**

Procedure for disposal

**40 USC 572**

Real property

**42 USC 9601–9675**

Comprehensive Environmental Response, Compensation, and Liability Act

**42 USC 9620(h)**

Property transferred by federal agencies

**42 USC 11411**

Use of unutilized and underutilized public buildings and real estate to assist the homeless

**50 USC 98**

Strategic and Critical Materials Stock Piling Act

**50 USC 2061–2171**

Defense Production Act of 1950 ([http://www.access.gpo.gov/uscode/title50a/50a\\_75\\_1\\_.html](http://www.access.gpo.gov/uscode/title50a/50a_75_1_.html))

**50 USC 2071–2078**

Defense Production Act of 1950, Title I, Priorities and Allocations

**50 USC 2091–2099**

Defense Production Act of 1950, Title III, Expansion of Productive Capacity and Supply

**Section III****Prescribed Forms**

This section contains no entries.

**Section IV****Referenced Forms**

BIS–999. Request for Special Priorities Assistance. (Form is available at <http://www.bis.doc.gov/defenseindustrial-baserprograms/osies/dpas/>.)

**Appendix B****DODD 5000.60 Excerpt: ICAs Criteria**

Before taking action or making an investment to preserve an industrial capability, DOD components must validate each of the following criteria for their product or service of concern:

**B–1. Statement of problem**

The problem warrants an industrial capability analysis; it is not a routine vendor management issue.

**B–2. Define requirement**

There is a valid national security requirement for the product or service to meet military missions, readiness, or sustainability needs or that the capability is needed to support next-generation product development or manufacture.

**B–3. Define characteristics of capability**

The capability is truly unique. A specific industrial capability, vital to providing the product or service in question, is truly unique. Verify that capability exists only in one product or product line and is so dissimilar from any other defense or commercial industrial capability that its loss would prohibit the DOD from obtaining a defense product or service.

**B–4. Effect from loss of capability**

The unique capability will actually be lost. Validate that one of the following conditions exists:

- a. The only supplier exits because the product line is not sufficiently profitable.
- b. The only supplier exits because the business unit is no longer financially viable.
- c. The industrial capability is technically so complex and sensitive, such an intricate combination of science and art, that any interruption or reduction in the activity will cause the capability to be effectively lost. (Answers must be based on performing a financial analysis or technical analysis, as indicated.)

#### **B-5. Alternatives**

The cost, risk, benefit, and legal authority of all feasible alternatives have been evaluated. The following alternatives have been assessed:

- a. Taking no action.
- b. Using a foreign source of supply.
- c. Using an existing substitute product or capability, modifying an existing substitute product or capability, or modifying the DOD performance requirement so that a substitute product can be used.
- d. Making a buyout to meet future DOD needs; that is, buying a sufficient quantity to meet future needs and storing the product.
- e. Applying a new technology approach to replace either the product or the capability currently used to meet DOD needs.
- f. Investing in "smart shutdown" actions; that is, purposefully preserving certain elements (equipment, skills' inventories, data, and so forth) essential to regenerating a product or service, while allowing the current development or production activities to cease.
- g. Investing in an acquisition action to preserve the capability by preserving development or manufacturing activity for the current product.
- h. Relieving or adding specific contract, policy, procurement, or export conditions that are hampering DOD access to a wider set of suppliers, or hampering endangered suppliers from potentially improved business opportunities.

#### **B-6. Recommendation**

The recommended action is the most cost- and mission-effective solution to ensuring that, based on the analysis, the DOD can meet its mission.

#### **B-7. Resource plan**

DOD component budget dollars and legal authority needed to make this investment have been identified.

### **Appendix C Business Strategy**

As part of the acquisition strategy, the PM will develop and document a business strategy.

#### **Section I Competition**

The acquisition strategy for all acquisition programs will describe plans to attain program goals via competition throughout all phases of the program's life cycle, or, explain why competition is neither practicable nor in the best interests of the Government.

##### **C-1. The decline in defense spending**

The decline in defense spending and subsequent industry consolidation have created a new industrial environment that DOD must consider when making acquisition and technology program decisions. For some critical and complex defense products, the number of competitive suppliers is now, or will be, limited. While it is fundamental DOD policy to rely on the marketplace to meet DOD requirements, there may be exceptional circumstances in which DOD needs to act to maintain future competition. Accordingly, DOD components will consider the effects of their acquisition and budget plans on future competition.

##### **C-2. Future competition**

The deputies to the component acquisition executive will confer routinely with the DUSD(IP) to discuss areas where future competition may be limited and provide the DUSD(IP) with information on such areas based on reporting from program managers and other sources. This group will review such areas that have been identified by program acquisition strategies, IPTs, sole-source justifications and approvals, and more generally from industry sources. Where appropriate, this group will establish a DOD team to evaluate specific product or technology areas. Based on analysis and findings of the team, Under Secretary of Defense (Acquisition, Technology & Logistics) (USD(AT&L)) will decide what, if any, DOD action is required to ensure future competition in the sector involved. The USD(AT&L) will

direct any proposed changes in specific programs or direct the Milestone Decision Authority (MDA) to make such changes to a specific program.

### **C-3. Program/product/project managers and contracting officers**

PMs and contracting officers will provide for full and open competition, unless one of the limited statutory exceptions applies (see FAR Part 6.3). PMs and contracting officers will use competitive procedures best suited to the circumstances of the acquisition program. To comply with these policies, PMs will plan for competition from the inception of program activity. Such competition planning will precede preparation of an acquisition strategy when, for example, a technology project or an effort involving advanced development or demonstration activities has potential to transition into an acquisition program. Competition planning must include the immediate effort being undertaken and any foreseeable future procurement as part of an acquisition program. Competitive prototyping, competitive alternative sources, and competition with other systems that may be able to accomplish the mission will be used where practicable.

### **C-4. Applying competition to acquisition phases**

The acquisition strategy prepared to support program initiation will include plans for competition for the long-term. The strategy will be structured to make maximum use of competition through the life of the contemplated program to achieve performance and schedule requirements, improve product quality and reliability, and reduce cost.

### **C-5. Industry involvement**

DOD policy encourages early industry involvement in the acquisition effort, consistent with the Federal Advisory Committee Act (PL 92-463; 5 USC Appendix) and FAR Part 15. The acquisition strategy will describe past and planned industry involvement. The PM will apply knowledge gained from industry when developing the acquisition strategy; however, with the exception of the PM's support contractors, industry will not directly participate in acquisition strategy development.

### **C-6. Exclusive teaming arrangements**

Exclusive teaming arrangements are potential obstacles to competition. Two or more companies create an exclusive teaming arrangement when they agree to team to pursue a DOD acquisition program and agree not to team with other competitors for that program. These teaming arrangements occasionally result in inadequate competition for DOD contracts. While the preference is to allow the private sector to team and subcontract without DOD involvement, DOD will intervene, if necessary, to assure adequate competition. The MDA will approve any action to break up a team.

### **C-7. Sub-tier competition**

All acquisition programs will foster competition at sub-tier levels, as well as at the prime level. The PM will focus on critical product and technology competition when formulating the acquisition strategy; when exchanging information with industry; and when managing the program system engineering and life cycle. Preparation of the acquisition strategy will include an analysis of product and technology areas critical to meeting program needs. The acquisition strategy will identify the potential industry sources to supply these needs. The acquisition strategy will highlight areas of potential vertical integration (for example, where potential prime contractors are also potential suppliers). Vertical integration may be detrimental to DOD interests if a firm employs internal capabilities without consideration of, or despite the superiority of, the capabilities of outside sources. The acquisition strategy will describe the approaches the PM will use (such as, requiring an open systems architecture, investing in alternate technology or product solutions, breaking out a subsystem or component, and so forth) to establish or maintain access to competitive suppliers for critical areas at the system, subsystem, and component levels.

### **C-8. Potential sources**

The PM will consider both international (consistent with possible information security and technology transfer restrictions) and domestic sources that can meet the need and will consider both commercial and non-developmental items as the primary source of supply, consistent with FAR Part 25 and DFARS Part 225. The PM will consider national policies on contracting and subcontracting with small businesses, small and disadvantaged businesses, women-owned small businesses, service disabled veteran owned small businesses, HUBZones, and historically black colleges and universities/minority institutions. The PM will address considerations to secure participation of these entities at both prime and sub-tier levels. The PM will consider intra-Government work agreements, for example, formal agreements, project orders or work requests, in which one Government activity agrees to perform work for another, creating a supplier and/or customer relationship.

## **Section II**

### **Market research**

The PM will use market research as a primary means to determine the availability and suitability of commercial and non-developmental items and the extent to which the interfaces for these items have broad-market acceptance, standards-organization support, and stability. Market research will support the acquisition planning and decision



process, supplying technical and business information about commercial technology and industrial capabilities. Market research, tailored to program needs, will continue throughout the acquisition process and during post-production support. FAR Part 10 requires the acquisition strategy to include the results of completed market research and plans for future market research. Traditional market research relies on interested businesses to respond to advertisements in the FedBizOpps ([www.fedbizopps.gov](http://www.fedbizopps.gov)). If this passive approach to market research results in an unsatisfactory industrial base, then a proactive market research technique will be employed to locate capability or capacity that can meet Army's materiel requirement. Market research will also identify barriers discouraging industry from participating in competition for program procurements.

### **C-9. Commercial and non-developmental items**

The PM will use sources of supply that provide for the most cost-effective system throughout its life cycle. The PM will work with the user to define and modify, as necessary, requirements to facilitate the use of commercial and non-developmental items. This includes requirements for hardware, software, interoperability, data interchange, packaging, transport, delivery, and automatic test systems. Within the constraints of these requirements, the PM will require contractors and subcontractors to use commercial and non-developmental items to the maximum extent possible. While some commercial items may not meet system-level requirements for acquisition category (ACAT) I and IA programs, numerous commercial components, processes, practices, and technologies have application to DOD systems. This policy will extend to subsystems, components, and spares levels based on the use of performance specifications and form, fit, function, and interface specifications. Preference will be first to commercial items, then to non-developmental items. The commercial marketplace widely accepts and supports open interface standards, set by recognized standards organizations. These standards support interoperability, portability, scalability, and technology insertion. When selecting commercial or non-developmental items, the PM will prefer open interface standards and commercial item descriptions. If acquiring products with closed interfaces, the PM will conduct a business case analysis to justify acceptance of the associated economic impacts on total ownership cost and risks to technology insertion and maturation over the service life of the system.

### **C-10. Dual-use technologies and the use of commercial plants**

Dual-use technologies are technologies that meet a military need, yet have sufficient commercial application to support a viable production base. Market research and analysis will identify and evaluate possible dual-use technology and component development opportunities. Solicitation documents will encourage contractors to use, and the PM will give consideration to, dual-use technologies and components. System design will facilitate the later insertion of leading edge, dual-use technologies and components throughout the system life cycle.

## **Section III**

### **Industrial Capability and Capacity**

#### **C-11. Capability versus capacity**

*a.* Market research must differentiate between "capability" and "capacity." Capability is defined as the technical and business ability to establish or contract for manufacturing or depot level maintenance and repair. Capacity is defined as a measure of the actual output that a private sector factory, industrial installation, or depot can deliver given the capital facilities and skills that exist. We should not confuse the legitimate need to have in-house capability with the need to have in-house production capacity.

*b.* Production is not an Army core competency. But Army must have the capability to be a smart buyer of Army materiel. It is essential that Army nurture its in-house engineering and maintenance expertise to be able to serve on acquisition teams that ensure qualified development and production contractors are selected competitively to sustain the force structure.

*c.* Army cannot compete directly with the private sector except as authorized by special authorities in appendix E. In fact, Army production capacity should only exist when the private sector is unwilling or unable to establish capacity to reliably satisfy our production and readiness requirements. Whereas, in-house depot level maintenance and repair capacity must exist to comply with 10 USC 2466. These statutes require DOD perform at least 50% of its depot-level maintenance and repair workload with organic capacity (that is, in-house facilities and personnel).

*d.* Science-based manufacturing modeling or "virtual factory" is an excellent example of an essential in-house capability for Army materiel manufactured in the private sector. This software tool streamlines the process of evolving from "capability" to "capacity." The software is an electronic description of manufacture. In-house expertise must have sufficient data rights to scientifically define how a defense unique part is manufactured. Once developed, the software is made available to private contractors, who already have the capital property and compete on defense contracts. The contractor who wins the contract is enabled to effectively and efficiently program his or her machine tools to make Army materiel. Priority should be placed on developing this software for "single-point failure" items. This technique is much more affordable than laying away buildings and equipment for reconstitution and is an effective way to mitigate

risk if the private sector contractor chooses to leave the Defense market. The science-based manufacturing modeling procedure is on the Industrial base hub Web page.

#### **C-12. The acquisition strategy**

The acquisition strategy will summarize an analysis of the industrial base capability to design, develop, produce, support, and, if appropriate, restart the program for the next program phase. This analysis (see DODD 5000.60 and DOD 5000.60-H) will identify DOD investments needed to create or enhance certain industrial capabilities and the risk of industry being unable to provide program design or manufacturing capabilities at planned cost and schedule. If the analysis indicates an issue beyond the scope of the program, the PM will notify the MDA through the PEO. When there is an indication that industrial capabilities needed by DOD are in danger of being lost, DOD components will perform an analysis to determine whether Government action is required to preserve an industrial capability vital to national security. Prior to completing or terminating production, DOD components will ensure an adequate industrial capability and capacity to meet post-production operational needs. Actions will address product technology obsolescence, replacement of limited-life items, regeneration options for unique manufacturing processes, and conversion to performance requirements at the subsystems, component, and spares levels.

#### **C-13. Commercial demand**

In many cases, commercial demand now sustains the national and international technology and industrial base. The PM will structure the acquisition strategy to promote sufficient program stability to encourage industry to invest, plan, and bear risks. However, the PM will not use a strategy that causes the contractor to use independent research and development funds or profit dollars to subsidize defense research and development contracts except in unusual situations where there is a reasonable expectation of a potential commercial application. Programs will minimize the need for new defense-unique industrial capabilities. Foreign sources and international cooperative development will be used where advantageous and within the limitations of the law (see DFARS Subpart 225).

#### **C-14. Small business innovation research technologies**

The PM will develop an acquisition strategy that plans for the use of technologies developed under the small business innovation research (SBIR) Program and gives favorable consideration for funding of successful SBIR technologies. At milestone and appropriate program reviews for ACAT I programs, the PM will address the program's plans for funding the further development and insertion into the program of SBIR-developed technologies. A searchable database of SBIR-funded technologies exists at <http://www.acq.osd.mil/sadbu/sbir/sitemap.html>.

#### **C-15. International cooperation**

The globalization of today's economy requires a high degree of coordination and international cooperation. Consistent with possible information security and technology transfer limitations, the PM will adhere to the following guidelines. The acquisition strategy will discuss the potential for increasing, enhancing, and improving the conventional forces of the North Atlantic Treaty Organization and the United States, including reciprocal defense trade and cooperation and international cooperative research, development, production, and logistic support. The acquisition strategy will also consider the possible sale of military equipment. The discussion will identify similar projects under development or in production by a U.S. ally. The acquisition strategy will assess whether the similar project could satisfy U.S. requirements and, if so, recommend designating the program as an International Cooperative Program. The MDA will review and approve the acquisition strategy for all programs at each acquisition program decision. All international considerations will remain consistent with the maintenance of a strong national technology and industrial base and mobilization capability. Restricted foreign competition for the program, due to industrial base considerations, will require prior USD(AT&L) approval. Results of test and evaluation of systems using approved international test operating procedures may be accepted without repeating the testing.

#### **C-16. Surge planning and contracting**

a. Sections 2501-2505 of Title 10, U.S. Code sets policy that the National Technology and Industrial Base (NTIB) be capable of meeting military operations of varying levels of intensity and that military departments conduct periodic assessments of the NTIB's ability to meet these requirements.

b. Surge is the ability of the industrial base to rapidly accelerate production or maintenance output to meet requirements of selected items with existing facilities and equipment. These requirements emanate from:

- (1) The Army Chief of Staff's and PEG approved unfunded requirements list.
- (2) Risk assessments that anticipate requirements for deployed forces beyond those in approved program levels especially for critical spare parts, munitions, and troop support items (see para 3-2a(1)(c)).

c. The PM and AMC item managers will formulate specific plans to accelerate production and maintenance delivery schedules for surge requirements. Ensure these plans assess the effect on environmental permits. Inform DLA of surge requirements for spare parts, components, and support items managed by DLA. Conduct thorough market surveys to identify other technical solutions and suppliers, even international firms, if consistent with law and regulation (for

example, DFARS Subpart 225.70). The AMC supports PM managed programs as specified in the Industrial Base Support Agreement between AMC and the PEO.

d. Contract mechanisms exist to increase production delivery for surge requirements. While it is important to be mindful of fiscal and contract funding requirements (see FAR, Subpart 32.7), these constraints do not prohibit establishing surge options for surge requirements. The PM and contracting office may use the following:

(1) “Best value” contracting techniques to evaluate the contractors’ ability to increase deliveries to concurrently deliver surge requirements. This capability must extend to all critical sub-tier suppliers. The solicitation shall require the contractor to submit a surge production plan as part of his or her contract proposal. The contract proposals will describe how the contractor will surge to concurrently deliver the surge requirement in the surge option over and above the basic quantity.

(2) Options in contracts when a surge requirement exists and the contracting officer determines it is in the Government’s best interest (see FAR, Subpart 17.2). If appropriate, the contracting officer may choose to use the special features of surge options in DFARS, Subpart 217.2.

(3) Requirements or indefinite quantity contracts as defined in FAR, Subpart 16.503 and 16.504, to contract for surge requirements. It is essential that the funded requirement satisfy the minimum order quantity to avoid Government liability. The upper range of allowable quantities would enable concurrent or rapid delivery of the surge requirement.

## **Appendix D**

### **Federal Acquisition Regulation Policy on Providing Facilities**

#### **D–1. Rely on private sector and allowable exceptions**

Contractors will furnish all facilities required for performing Government contracts except as provided in this subsection. Government facilities provided to contractors will be individually identified in the solicitation, if possible, and contract. Agencies will not furnish facilities to contractors for any purpose, including restoration, replacement, or modernization, except as follows:

- a. For use in a GOCO plant operated on a cost-plus-fee basis.
- b. For support of industrial preparedness programs.
- c. As components of special tooling or special test equipment acquired or fabricated at Government expense.
- d. When, as a result of the prospective contractor’s written statement asserting inability to obtain facilities, the agency head or designee issues a determination and finding (FAR Part 1.7) that the contract cannot be fulfilled by any other practical means or that it is in the public interest to provide the facilities.

(1) If the contractor’s inability to provide facilities is due to insufficient lead-time, the Government may provide existing facilities until the contractor’s facilities can be installed.

(2) Mere assertion by a contractor that it is unable to provide facilities is not, in itself, sufficient to justify approval. Appropriate Government officials must determine that providing Government facilities is justified.

(3) The determination will include findings that private financing of the facilities was sought but not available or that private financing was determined not advantageous to the Government. The determination will also state that the contract cannot be accomplished without Government facilities being provided.

(4) The original determination will be included in the contract file.

(5) No determination is required when the facilities are provided as components of special tooling or special test equipment acquired or fabricated at Government expense.

e. As otherwise authorized by law or regulation.

#### **D–2. Contractors**

Agencies will not—

- a. Furnish new facilities to contractors unless existing Government-owned facilities are either inadequate or cannot be economically furnished.
- b. Use research and development funds to provide contractors with new construction or improvements of general utility, unless authorized by law.
- c. Provide facilities to contractors solely for non-Government use, unless authorized by law.

#### **D–3. Effect of competition**

Competitive solicitations will not include an offer by the Government to provide new facilities, nor will solicitations offer to furnish existing Government facilities that must be moved into a contractor’s plant, unless adequate price competition cannot be otherwise obtained. Such solicitations will require contractors to identify the Government-owned facilities that they want to be moved into their plants.

#### **D-4. Property value threshold**

Government facilities with a unit cost of less than \$10,000 will not be provided to contractors unless any of the criteria stated in paragraphs a through e below, applies—

- a. The contractor is a nonprofit institution of higher education or other nonprofit organization whose primary purpose is the conduct of scientific research.
- b. A contractor is operating a Government-owned plant on a cost-plus-fee basis.
- c. A contractor is performing on a Government establishment or installation.
- d. A contractor is performing under a contract specifying that it may acquire or fabricate special tooling, special test equipment, and components thereof subsequent to obtaining the approval of the contracting officer.
- e. The facilities are unavailable from other than Government sources.

### **Appendix E**

#### **Synopsis of Public-Private Partnering Authorities Available to GOGO Industrial Installations**

##### **E-1. Public-private partnering**

- a. Public-private partnering includes the following:
  - (1) The use of public sector facilities and employees to perform work or produce goods for the private sector.
  - (2) Private sector use of public sector equipment and facilities to perform work for the public sector.
  - (3) Work-sharing arrangements, using both public and private sector facilities and/or employees.
- b. Execution of partnering strategies can be accomplished under the statutory authorities stated in paragraphs E-2 through E-5.

##### **E-2. Section 2208(j), Title 10, United States Code**

Permits a working capital funded facility to manufacture or remanufacture articles and sell these articles, as well as to provide manufacturing, remanufacturing, and engineering services to persons outside DOD. The following conditions apply to these sales:

- a. The person purchasing the article or service is fulfilling a DOD contract or a sub-contract under a DOD contract, and the solicitation for the contract or subcontract is open to competition between DOD activities and private firms; or paragraph b, below, applies.
- b. The objectives set forth in 10 U.S.C. section 2474(b)(2) will be advanced by authorizing the facility to make the sale.
- c. The Secretary of Defense may waive these conditions in the case of a particular sale if the Secretary determines that the waiver is necessary for reasons of national security and notifies Congress regarding the reasons for the waiver.
- d. Proceeds from the sales will be credited to the working capital fund incurring the cost of manufacture or performance.
- e. The Secretary of the Army has delegated the authority under section 2208(j) (except for the waiver authority that is retained by the Secretary of Defense) to the Commander, AMC.

##### **E-3. Section 2474, Title 10, United States Code**

This section authorizes a Center of Industrial and Technical Excellence (CITE) to enter into public-private cooperative arrangements ("public-private partnership"). The Secretary of the Army has designated as CITEs all Army maintenance depots and has authorized them to enter into public-private partnerships to perform work related to their core competencies.

- a. The objectives for exercising the authority are as follows:
  - (1) For employees of the CITE, private industry, or other entities outside DOD to perform (under contract, subcontract, or otherwise) work related to the core competencies of the CITE, including any depot-level maintenance and repair work that involves one or more core competencies of the CITE.
  - (2) For private industry or other entities outside DOD to use, for any period of time determined to be consistent with the needs of the DOD, any facility or equipment of the CITE that is not fully utilized for the agency's own production or maintenance requirements.
  - (3) To maximize the utilization of the capacity of a CITE.
  - (4) To reduce or eliminate the cost of ownership of a CITE by DOD in such areas of responsibility as operations and maintenance and environmental remediation.
  - (5) To reduce the cost of products of the DOD produced or maintained at a CITE.
  - (6) To leverage private sector investment in such efforts as plant and equipment recapitalization for a CITE, and the promotion of the undertaking of commercial business ventures at a CITE.
  - (7) To foster cooperation between the armed forces and private industry.

*b.* Amounts received by a CITE for work performed under a public-private partnership shall be credited to the appropriation or fund, including a working capital fund, that incurs the cost of performing the work.

*c.* Consideration in the form of rental payments or in other forms may be accepted for a use of property accountable under a contract performed pursuant to this section.

*d.* Revenues generated by the CITE shall be available for facility operations, maintenance, and environmental restoration at the CITE where the leased property is located.

*e.* Equipment or facilities of a CITE may be made available for use by a private sector entity only if—

(1) The use of the equipment or facilities will not have a significant adverse effect on the readiness of the armed forces.

(2) The private sector entity agrees to reimburse the DOD for the direct and indirect costs (including any rental costs) that are attributable to the entity's use of the equipment or facilities.

(3) The private sector entity agrees to hold harmless and indemnify the United States from any claim for damages or injury to any person or property arising out of the use of the equipment or facilities, except in a case of willful misconduct or gross negligence or where the damages or injury arose from the failure of the facility to comply with quality, schedule, or cost performance requirements in the contract to provide the articles or service.

(4) The private sector entity agrees to hold harmless and indemnify the United States from any liability or claim for damage or injury out of a decision to suspend or terminate the use of equipment or facilities during a war or national emergency.

#### **E-4. Section 2563, Title 10, United States Code**

Applies to Army industrial facilities other than Army arsenals and ammunition plants, which make ordnance. Permits the sale to a person outside DOD of articles manufactured and services performed that are not available from any United States commercial source by a working capital funded industrial facility. Non-Government purchasers hold harmless and indemnify the United States from any claim for damages or injury to any person or property arising out of the use of the equipment or facilities, except in a case of willful misconduct or gross negligence or where the damages or injury arose from the failure of the facility to comply with quality, schedule, or cost performance requirements in the contract to provide the articles or service.

#### **E-5. Section 4543, Title 10, United States Code**

Provides Army arsenals and ammunition plants, which make ordnance, the authority to sell manufactured articles or services outside the Department of Defense. The following conditions apply to these sales:

*a.* The article or service is not available from a commercial source in the United States. "Not available" means that the article or service is unavailable from a commercial source in the required quantity and quality or within the time required. This condition may be waived for reasons of national security, and Congress must be notified of the reasons of the waiver.

*b.* The purchaser must submit information to allow the commander of the Life Cycle Management Command for the affected arsenal or ammunition plant to make a determination that the article or service is "not available."

*c.* The purchaser agrees to hold harmless and indemnify the United States, except in any case of willful misconduct or gross negligence, from any claim for damages or injury to any person or property arising out of the articles or services.

*d.* The articles or services can be substantially manufactured or performed by the industrial facility concerned with only incidental subcontracting.

*e.* It is in the public interest to manufacture the articles or perform the services.

*f.* The sale of the articles or services will not interfere with the performance of DOD work or the military mission of the industrial facility concerned.

*g.* Proceeds from sales of articles and services shall be credited to the funds, including working capital funds and operation and maintenance funds, incurring the costs of manufacture. Performance authority is at AMC MSC level.

## **Glossary**

### **Section I Abbreviations**

**A/E**

architect/engineer

**ACAT**

acquisition category

**ACSIM**

Assistant Chief of Staff for Installation Management

**AFARS**

Army Financial Acquisition Regulation Supplement

**AMC**

U.S. Army Materiel Command

**ARMS**

Armament Retooling and Manufacturing Support

**ASA(ALT)**

Assistant Secretary of the Army (Acquisition, Logistics, and Technology)

**ASA(FM&C)**

Assistant Secretary of the Army (Financial Management and Comptroller)

**ASA(I&E)**

Assistant Secretary of the Army (Installations and Environment)

**ASTM**

American Society for Testing and Materials

**ASTWG**

Army Science and Technology Working Group

**BRAC**

base realignment and closure

**CDD**

capability development document

**CERCLA**

Comprehensive Environmental Response, Compensation, and Liability Act

**CG**

commanding general

**CICA**

Competition in Contracting Act

**CIL**

critical items list

**CITE**

Center of Industrial and Technical Excellence

**COCO**

contractor-owned, contractor-operated

**CPD**

capability production document

**CRD**

capstone requirements document

**DASA(P&P)**

Deputy Assistant Secretary of the Army (Procurement and Policy)

**DCS**

Deputy Chief of Staff

**DFARS**

Department of Defense Federal Acquisition Regulation Supplement

**DLA**

Defense Logistics Agency

**DMSMS**

diminishing manufacturing sources and material shortages

**DODD**

Department of Defense directive

**DODI**

Department of Defense instruction

**DPA**

Defense Production Act

**DPAS**

Defense Priorities and Allocations System

**DUSD(L&MR)**

Deputy Under Secretary of Defense (Logistics and Materiel Readiness)

**DUSD(IP)**

Deputy Under Secretary of Defense (Industrial Policy)

**DWCFA**

Defense Working Capital Fund, Army

**ECIP**

Energy Conservation Improvement Program

**ERA**

environmental restoration, Army

**FAR**

Federal Acquisition Regulation

**FMS**

foreign military sales

**FYDP**

Future Years Defense Program

**GFP**

Government furnished property

**GIDEP**

Government-Industry Data Exchange Program

**GOCO**

Government-owned, contractor-operated

**GOGO**

Government-owned, Government-operated

**GSA**

General Services Administration

**HAZMAT**

hazardous material

**HQDA**

Headquarters, Department of the Army

**ICA**

industrial capabilities assessment

**ICD**

Initial capabilities document

**IGCE**

independent Government cost estimate

**IMA**

Installation Management Agency

**IMC**

industrial mobilization capacity

**IPM**

industrial preparedness measure

**IPO**

industrial preparedness operations

**IPPL**

industrial preparedness planning list

**JCIDS**

Joint Capabilities Integration and Development System

**LIF**

layaway of industrial facilities

**MACOM**

major Army command

**ManTech**

manufacturing technology

**MCA**

military construction, Army

**MDA**

Milestone Decision Authority



**MLIF**

maintenance of laid-away industrial facilities

**MTO**

manufacturing technology objectives

**NDS**

National Defense Stockpile

**NSS**

National Security Strategy

**NTIB**

National Technology and Industrial Base

**OMA**

operation and maintenance, Army

**OSD**

Office of the Secretary of Defense

**ORD**

operational requirements documents

**PA**

procurement appropriations

**PBL**

performance-based logistics

**PBP**

Production Base Plan

**PBS**

production base support

**PBSP**

Production Base Support Program

**PE**

program element

**PEG**

Program Execution Group

**PEO**

program executive officer

**PIF**

provision of industrial facilities

**PM**

program/product/project manager

**POM**

program objective memorandum

**PPBES**

Planning, Programming and Budgeting Execution System

**PPP**

public-private partnering

**QDR**

quadrennial defense review

**ROE**

report of excess

**RDT&E**

research, development, test, and evaluation

**SAAL-PA**

Director, Acquisition and Industrial Base Policy

**SBIR**

small business innovation research

**SMCA**

single manager for conventional ammunition

**SMDC**

U.S. Army Space and Missile Defense Command

**S&T**

science and technology

**USACE**

United States Army Corps of Engineers

**USC**

United States Code

**USD(AT&L)**

Under Secretary of Defense (Acquisition, Technology & Logistics)

**Section II****Terms****Acquisition planning**

The process of integrating all the effort to acquire DOD materiel to fulfill an agency's need in a timely manner and at a reasonable cost. It includes developing the overall strategy for managing the acquisition.

**Allocations**

Within Defense Materials System, authorization to issue purchase order for specific quantities of controlled materials (steel, copper, aluminum, nickel, alloy) utilized only for defense production purposes, or replacement of materials used for such purposes.

**Army acquisition executive**

Army individual responsible for administering acquisition programs in accordance with DOD policies and guidelines, and who exercises the power and discharges the responsibilities as set forth in DODD 5000.1 for component acquisition executives.

**Army reserve plants**

Army-owned installations that are certified as part of the Army's essential nucleus production capacity. These facilities may be GOGO or GOCO. They are retained, used, or maintained in idle status for production of military weapons systems, munitions, components, and supplies.

**Capability**

The technical and business ability to establish or contract for manufacturing or depot level maintenance and repair.

**Capacity**

Measure of an actual output that private sector factory, industrial installation, or depot can deliver given the capital facilities and skills that exist.

**Construction**

The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; relocation of a facility from one installation to another; installed equipment made part of the facility, related site preparation, excavation, filling, landscaping, or other improvements.

**Critical components**

Components requiring processes and/or skills that are not available in sufficient supply and consequently constrain delivery of mission-essential materiel such that mission needs cannot be met.

**Critical items list**

A list of items published biennially, required for sustainability of the near-term U.S. Army Forces involved in a contingency operation. The DA critical items list (CIL) is prepared by the DCS, G-3/5/7.

**Critical technology**

Technology that appears on the list of national critical technologies contained in the most recent biennial report on national critical technologies submitted to Congress by the President pursuant to section 603(d) of the National Science and Technology Policy, Organization, and Priorities Act of 1976 (PL 94-282).

**Defense industrial reserve**

A general reserve of industrial manufacturing equipment, including machine tools, selected by the Secretary of Defense for retention for national defense or for other emergency use. Those industrial plants and installations held by and under the control of the DOD in active or inactive status, including Government plants and installations and GOCO plants and installations that are retained for use in their entirety or, in part, for production of military weapons systems, munitions, components, or support.

**Defense materials systems**

The means for directing the flow of controlled materials required for authorized defense programs under regulations issued by the authority of the Defense Production Act of 1950, 50 USC App 2061 et seq., as amended.

**Determination and findings**

Written approval, by an authorized official, in a special format entitled Determination and Findings that is required by statute or regulation as a prerequisite to taking certain contracting actions. The determination is a conclusion or decision supported by findings. Findings are statements of fact and/or rationale essential to support the determination.

**Diminishing manufacturing sources and material shortages (DMSMS)**

The loss or impending loss of manufacturers of items or suppliers of items or raw materials may cause material shortages that endanger a weapon system's or equipment's development, production, or post-production support capability. DMSMS management is risk mitigation and resolution when a manufacturer or producer ceases manufacture or production of an item and that item is still required for procurement and/or required to sustain, repair, or build a system.

**Dual-use**

Products, services, standards, processes, or acquisition practices that are used by military and non-military customers.

**End item**

An instrument of combat or combat support used to accomplish military missions consisting of a final combination of assemblies, parts, and materials that together perform a complete operational function and is ready for its intended use.

**Excess to ownership**

Government-owned plants or equipment that are not necessary for the Government to own as long as the production capability is maintained in a suitable state for future production or replenishment requirements by the purchaser. Under these circumstances, the ownership interest is considered excess and the property can be sold by GSA under the authority of 40 USC 545(b)(2) and (7).

**Facility or facilities**

Property used for production, maintenance, research, development, or testing. Includes plant equipment and real property. Does not include material, special test equipment, special tooling, or agency-peculiar property.

**Facilities project**

A Government project to acquire, provide, modernize, replace, construct, preserve, or protect facilities.

**Government-furnished property**

Property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor.

**Government property**

All property owned by or leased to the Government or acquired by the Government under the terms of a contract. It includes both Government-furnished property and contractor-acquired property.

**Horizontal industrial base assessment**

Assessments that measure NTIB and global production capability of end items or components against anticipated demand.

**Industrial base**

The privately owned and Government-owned industrial capability and capacity available for manufacture, maintenance, modification, overhaul, and/or repair of items required by the United States and selected allies, including both the production base and maintenance base.

**Industrial capabilities**

The skills and knowledge, processes, facilities, and equipment needed to design, develop, manufacture, repair, and support DOD products. Defense industrial capabilities include private and public industrial activities.

**ICA Report**

A report that summarizes the results of an ICA. It recommends an action or investment and addresses cost, schedule, effects on performance, and pertinent qualitative considerations. It defines how and when the action would be incorporated into the budget and, if possible, identifies budget offsets.

**Industrial preparedness measures**

Actions designed to shorten lead-time or to increase industrial base capacity for critical items and components.

**Industrial preparedness planning list**

A listing of items and components designated by program executive officers and commodity managers as necessary to monitor for sufficient capacity in order to ensure that operational, combat, and contingency requirements are satisfied.

**Joint Capabilities Integration and Development System (JCIDS) (CJCSI 3170.01D) and Operation of JCIDS (CJCSM 3170.01A)**

Documents information for decisionmakers on the projected requirements of the warfighter. JCIDS is based on the need for a joint concepts-centric capabilities identification process that allows joint forces to meet the full range of military challenges of the future. Three documents are key to JCIDS. The initial capabilities document (ICD) summarizes the results of a comprehensive analysis and identifies any changes in U.S. or allied doctrine, operational concepts, tactics, organization and training that were considered in satisfying a deficiency. The capability development document (CDD), developed for Milestone B, is the sponsor's primary means of defining authoritative, measurable, and testable capabilities needed by the warfighters to support the system development and demonstration phase of the acquisition program. The capability production document (CPD), developed for Milestone C, provides authoritative, testable capabilities for the production and deployment phase of an acquisition program.

**Justification and approval**

A justification, certified as accurate and complete by the contracting officer and supported by certified technical documentation that supports the use of statutory authorities, as implemented by FAR 6.302, permitting contracting without providing for full and open competition. Approval requirements are identified in FAR 6.304.

**Layaway of industrial facilities**

A budget line in the Production Base Support Program that finances the cleaning, preserving, and processing into storage of inactive industrial facilities that are no longer required to support current production but are required to support approved forces in an emergency. Facilities must be a part of an approved and/or currently certified plant

equipment package or Army reserve plant and be in an immediate use posture or in a plan that exists to achieve immediate use posture.

**Life cycle cost**

The total cost to the Government of acquiring, operating, supporting, and (if applicable) disposing of the items being acquired.

**Maintenance base**

The total privately owned and Government-owned industrial maintenance capacity available to the Army for depot maintenance of items required by the U.S. Armed Forces (see AR 750-1). The maintenance base together with the production base comprises the industrial base.

**Maintenance facilities**

Fixed installations, such as shipyards and depots, that support organizational maintenance and intermediate maintenance activities through the availability of more extensive shop facilities, equipment, and personnel of a higher technical skill than are available at lower maintenance levels. Some of the types of maintenance normally provided by these shops are inspection, test, repair, modification, alteration, modernization, conversion, overhaul, reclamation, or rebuild of parts, assemblies, subassemblies, components, and end items.

**Manufacturing technology**

Techniques and processes designed to improve manufacturing quality, productivity, and practices, including quality control, shop floor management, inventory management, and worker training, as well as equipment and software manufacture.

**Manufacturing Technology Program**

The total of all DOD investments specifically authorized by Congress for establishing new or improved manufacturing technology.

**Market research**

An analysis of information about capabilities and capacity to determine whether the market place can satisfy agency needs (see FAR Part 10).

**Mobilization**

The act of assembling and organizing national resources to support national objectives during war or other emergencies. The process by which the armed forces, or parts of them, are brought to a state of readiness for war or other national emergency. That includes activating all or part of the Reserve Components as well as assembling and organizing personnel, supplies, and materiel.

**National emergency**

A condition declared by the President or Congress authorizing certain emergency actions to be undertaken in the national interest. Actions to be taken may include partial or total mobilization of national resources.

**National technology and industrial base**

Persons and organizations that are engaged in research, development, production, or maintenance activities conducted within the United States and Canada.

**New start**

Any RDT&E appropriations program, subprogram, modification, project, or subproject not previously justified by DOD and funded by Congress through the normal budget process. With the exception of certain safety modification, all new starts require either prior approval from the congressional defense committees or prior notification to the committees before funds can be obligated. New start procedures are in Under Secretary of Defense's memorandum dated 18 February 2000, subject: New Start Procedures.

**Non-developmental item**

Materiel available from a variety of sources to satisfy an approved requirement with little or no additional development by the Army.

**Performance-based logistics**

DOD's preferred approach for implementing product support. PBL is a strategy for weapon system life cycle support that brings higher levels of system readiness through efficient management and direct accountability. It describes

performance goals for a weapon system's readiness, and encourages the creation of incentives for attaining the goals through clear lines of authority and responsibility.

**Plant equipment**

Personal property of a capital nature, including equipment, machine tools, test equipment, furniture, vehicles, and accessory and auxiliary items, for use in manufacturing supplies, in performing services, or for any administrative or general plant purpose. It does not include special tooling or special test equipment.

**Plant equipment package**

Complement of active and idle machine tools and other industrial manufacturing equipment held by and under the control of DOD and approved by the Deputy Assistant Secretary of the Army (Procurement) for retention to produce particular defense materiel or defense supporting items at a specific level of output in the event of an emergency.

**Procurement appropriations**

A term that denotes the Army appropriations for acquisition of aircraft, missiles, weapons and tracked combat vehicles, ammunition, and other items.

**Production base**

The total privately owned and Government-owned industrial production capacity available to manufacture items required by the U.S. Armed Forces. The production base together with the maintenance base comprises the industrial base.

**Product manager**

The individual designated in accordance with criteria established by the Army Acquisition Executive to manage an acquisition program, and appropriately certified under the provisions of the Defense Acquisition Workforce Improvement Act (10 USC 1701 and 1702). The PM is responsible for development of overall program management plans and requirements, and execution, control and direction of the work and associated resources required for the life cycle management of the program and/or system and associated products. The PM is a lieutenant colonel or GS-14 and the title PM implies that he or she is centrally selected by a secretariat board. A PM has no other command or staff responsibilities within the component.

**Production Base Plan**

A plan maintained by a program executive officer that describes the readiness of critical items and components identified on the IPPL to fulfill a wide range of national defense strategy requirements. It provides the production capability shortfall analysis and industrial investment strategies to maintain and improve the defense industrial base.

**Production Base Support Program**

The portion of PA that pays directly to correct production base deficiencies.

**Program executive officer**

A military or civilian official who has primary responsibility for directing several major defense acquisition programs and for assigned major system and non-major system acquisition programs. The PEO has no other command or staff responsibilities within the Army and only reports to and receives guidance and direction from the Army Acquisition Executive. The PEO is responsible for planning, programming, budgeting, and execution necessary to guide assigned programs through each milestone with approved baselines. Project and product managers report to the PEO.

**Program objective memorandum**

The documents that provide a 6-year projected blueprint of each organization's proposals for updating DOD programs. It is submitted to the Secretary of Defense by each military department, defense agency, and special operations command for approval. The approved POM defines the programs to be supported in the military department and the defense agency budgets.

**Project manager**

Provides overall direction and guidance for development, acquisition, testing, product improvement, fielding, and sustaining of the project. The PM is a colonel or GS-15 and is DA centrally selected.

**Property**

All property, both real and personal, including facilities, material, special tooling, special test equipment, and agency-peculiar property.

**Provision of industrial facilities**

A budget line in the PBSP that pays directly for capital investments. The objective is to correct a production capacity or production support facility deficiency.

**Readiness**

A measure of the ability of a system to undertake and sustain a specified set of missions at planned peacetime and wartime utilization rates. Measures take account of the effects of system design (reliability and maintainability), the characteristics of the support system, and the quantity and location of support resources. Examples of system readiness measures are combat sortie rate, fully mission-capable rate, and operational availability.

**Real property**

Land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or plant equipment.

**Replenishment**

Actions to resupply an inventory when the inventory position reaches the reorder point.

**Rolling inventory**

Raw materials, parts, components, and assemblies procured in advance of contractual requirements for the purpose of improving industrial responsiveness and to surge weapon systems and munitions production.

**Single manager for conventional ammunition**

The responsibility assigned to the Secretary of the Army by the Secretary of Defense for procurement, production, supply, and maintenance and/or renovation of conventional ammunition within the DOD. Specific responsibilities, functions, authorities, and relationships are set forth in DODD 5160.65 and DODI 5160.68.

**Skilled personnel**

Personnel with inherent or learned ability to apply their knowledge, independent judgment, and often considerable manual dexterity to their job, vocation, or profession.

**Special assessments of industrial capacity**

Industrial base assessments other than those assessments for a specific acquisition program or for protecting a specific source in the industrial base. An example would be an ICA of a technology on the militarily critical technology list (such as, armaments and energetic materials, electronics, sensors, and lasers).

**Special installations**

Army installations whose base support functions are primarily funded from sources other than operations and maintenance, Army (OMA) or operations and maintenance, Army Reserve.

**Special test equipment**

Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in the performance of the contract. It consists of items or assemblies of equipment, including standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

**Special tooling**

All jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment, and manufacturing aids and their replacements, that is of such a specialized nature that without substantial modification or alterations their use is limited to the development or production of particular supplies or parts or the performance of particular services. This term includes all components of such items but does not include consumable property, special test equipment, buildings, non-severable structures (except foundations and similar improvements necessary for the installation of special tooling, general or special machine tools, or similar capital items).

**Surge**

The ability of the industrial base to rapidly accelerate production deliveries and depot-level maintenance and repair to meet requirements of selected items with existing facilities and equipment. These requirements include: (a) the official Army Chief of Staff's and PEG approved unfunded requirements list and (b) the appropriate General Officer, or

equivalent, approved quantities to mitigate operational risks beyond approved program levels; focus on critical spare parts, munitions, and troop support items. Assume only peacetime authorities will be available.

**Surplus property**

Any property not required for the needs and for the discharge of the responsibilities of all Federal agencies, including DOD, as determined by the GSA.

**Sustainability**

The ability to maintain the necessary level and duration of operational activity to achieve military objectives. Sustainability is a function of providing for, and maintaining, those levels of ready forces, materiel, and consumables necessary to support military effort.

**Value engineering**

An analysis of the functions of a program, project, system, product, item of equipment, building, facility, service, or supply of an executive agency, performed by a qualified agency or contractor personnel, directed at improving performance, reliability, quality, safety, and life cycle costs.

**Vertical industrial base assessments**

Assessing the ability to produce components and subassemblies for a critical military end item in sufficient quantity, quality, and timeliness for a demand scenario provided by the DCS G-3/5/7 or the DCS G-4.

**Virtual factory**

The ability to rely on any factory that has general purpose machine tools to manufacture military unique materiel. This inherent ability to produce unique parts, components, and end items is achieved by designing software that scientifically describes special tooling and production parameters (for example, speeds, feeds, temperatures, cycle time). This unique software is installed on general purpose machines that are capable of performing the necessary production operations. Thus, factories in the civil sector can quickly change over from their commercial business to military production.

**Weapon system**

A combination of one or more weapons with all related equipment, materials, services, personnel, and means of delivery and deployment (if applicable) required for self-sufficiency.

**Section III****Special Abbreviations and Terms**

This section contains no entries.



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